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Transcript Exhibit(s)

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AZ CORP COMMISSION
DOCKET CONTROL


Docket #(s): W-02105A-09-0522

Exhibit #: A1-A11, S1-54

Arizona Corporation Commission

DOCKETED

AUG 9 2010

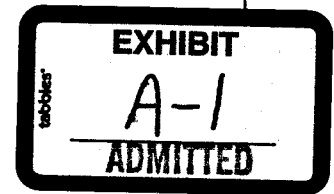
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AZ. CORP. COMMISSION
DOCKET CONTROL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

APPLICATION OF MOUNT TIPTON
WATER CO., INC. FOR AN INCREASE
IN ITS WATER RATES

Docket No. W-02105A-08-

RATE APPLICATION

The Mount Tipton Water Company, Inc. ("Company" or "Applicant"), hereby
applies for an increase in its water rates.

SUPPORTING DOCUMENTATION

Pursuant to A.A.R. Rule 14-2-103, the Company submits the following
documentation in support of the proposed increase in rates and charges:

- Direct Testimony of Sonn S. Rowell (see Exhibit 1);
- Required Schedules, Statements, and Documentation (see Exhibit 2);
- Water Use Data Sheets (see Exhibit 3);

- Plant Descriptions (see Exhibit 4);
- ADEQ Compliance Status Report (see Exhibit 5); and
- Monitoring Assistance Program Sampling Fee Invoice (see Exhibit 6).

RESPECTFULLY SUBMITTED this 13th day of November, 2009.

MOYES SELLERS & SIMS

Steve Wene

Steve Wene
Attorneys for Mount Tipton Water Co., Inc.

Original and 13 copies of the foregoing
filed this 13th day of November, 2009, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing mailed this
13th day of November, 2009, to:

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Donnelly Herbert

EXHIBIT 1

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 KRISTIN K. MAYES, CHAIRMAN

4 GARY PIERCE

5 PAUL NEWMAN

6 SANDRA D. KENNEDY

7 BOB STUMP

8 APPLICATION OF MOUNT TIPTON
9 WATER COMPANY, INC. FOR AN
10 INCREASE IN ITS WATER RATES

**DIRECT TESTIMONY OF
SONN S. ROWELL**

11
12
13 **Q-1 Please state your name and current employment position:**

14 A-1 My name is Sonn S. Rowell, and I am a Certified Public Accountant and
15 managing member of Desert Mountain Analytical Services, PLLC.

16
17 **Q-2 Describe your educational and professional background:**

18 A-2 I have a Bachelor of Science Degree in Accounting from Arizona State University,
19 as well as my CPA certification from the Arizona State Board of Accountancy. I have
20 worked for many years in the practice of public accounting, and have held part-time
21 teaching positions at Mesa Community College. After employment with the Utilities
22 Division of the Arizona Corporation Commission for four years, I started DMAS and
23 now specialize in regulatory accounting and consulting.
24
25
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1 **Q-3 By whom are you employed and in what capacity?**

2 **A-3** I have been retained by Mount Tipton Water Company, Inc. ("MTWC" or
3 "Company") to perform a financial analysis of their books and records in order to prepare
4 a rate application for submittal to the Arizona Corporation Commission ("Commission")
5 to comply with Commission orders.
6

7 **Q-4 What is the purpose of your testimony?**

8 **A-4** The purpose of my testimony is to present my analysis and recommendations
9 concerning the development of the Company's gross revenue requirement, taking into
10 account adjusted rate base, adjusted operating income, working capital requirements, the
11 current rate of return for the historic twelve month period, required operating income, the
12 proposed rate of return, and other relevant factors. I will also sponsor certain exhibits in
13 support of the rate application.
14

15 **Q-5 Please summarize the Company's proposal.**

16 **A-5** The Company is seeking an increase in net revenue of \$58,967, or a rate increase
17 of 18.81%. The amount of increase necessary to the revenue requirement per Schedule
18 A-1 is \$78,014, however, MTWC is currently collecting an emergency surcharge
19 included in current rates that serves to offset the total amount of the increase. The
20 Company is requesting discontinuance of the emergency surcharge at the time new rates
21 are approved as the proposed rates are designed to satisfy estimated expense levels
22 without the separate \$10 per month surcharge.
23
24
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1 **Q-6 What is the basis for your recommendation?**

2 **A-6** I analyzed the Company's records to determine its adjusted revenues and expenses
3 during the test year ending June 30, 2009. Next, I calculated the proposed revenue
4 requirement in order to ensure the Company can earn sufficient revenue to pay prior
5 liabilities, current expenses, and provide adequate and reliable water service. Based
6 upon my analysis, I have prepared the schedules in accordance with A.A.C. Rule
7 14-2-103 that are set forth in Application Exhibit 2, which I adopt as part of my
8 testimony.
9
10

11 **Q-7 Regarding Application Income Statement C-1, why was the adjustment (A) to**
12 **metered water revenue for \$2,764 made?**

13 **A-7** This adjustment is comprised of two factors. First, a programming error in the
14 water billing system caused customers whose monthly usage reached the third
15 commodity tier to be under charged by \$.01 to \$4.00, depending on usage. The effect of
16 this problem is estimated to be about \$2,387 for the test year, and has been corrected.
17 The second part of this adjustment (\$377) is attributed to the 1 inch meter customer, and
18 a "grandfathered" agreement to charge this customer 5/8 inch meter rates. This has been
19 discontinued and the 1 inch customer is being charged tariff rates now. Of the \$377
20 adjustment, \$15 is the result of the aforementioned billing problem in the third tier.
21
22

23 **Q-8 Why was adjustment (B) to Surcharge Revenue made for (\$21,810)?**
24

25 **A-8** That amount reflects how much revenue was generated by the emergency
26 surcharge during the three months of the test year it was in effect. The surcharge is set to
27
28

1 expire at the end of the year, or upon issuance of new rates, so this amount of revenue is
2 included in the proposed revenue requirement and rate design for metered water revenue.

3 **Q-9 Please explain adjustment (C) to Repairs and Maintenance for \$6,863.**

4 **A-9** Adjustment (C) is comprised of four invoices from the test year that are labeled as
5 repair, and were capitalized. These four invoices were excluded from test year plant
6 additions, and this adjustment reclassifies these costs to Repairs and Maintenance. The
7 invoice detail is as follows:
8

9

Vendor	Reason	Amount
Hughes Supply	Ford fittings	\$876
HD Supply Waterworks	Main break	\$776
A-1 Well Service and Supply	Repairs	\$711
A-1 Well Service and Supply	Clean Chambers well	\$4,500

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17
18 **Q-10 Are adjustments (D) for \$250 to Office Supplies and Expense and adjustment**
19 **(E) to Regulatory Commission expense for (\$5,350) related?**

20 **A-10** Yes. The adjustment to Regulatory Commission Expense reclassifies the cost of a
21 CD for a Letter of Credit for \$5,100 to account 135 as reflected on Schedule E-1. The
22 balance of adjustment E, \$250, reclassifies bank fees to Office Supplies as adjustment D.
23

24 **Q-11 Please explain adjustment (F) to Rate Case Expense for \$6,667.**

25 **A-11** Rate case expense is estimated to cost \$20,000, and is amortized over three years.
26
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1 **Q-12 Please explain adjustment (G) to Miscellaneous Expense.**

2 **A-12** The Company currently pays \$1,780.09 per month in fees to WIFA for the loan.
3 The adjustment of \$9,109 reflects the increase in expense necessary to include an annual
4 expense level of \$21,361 for these fees.
5

6 **Q-13 What are factors in the \$180 adjustment (H) to depreciation expense?**

7 **A-13** This adjustment was made to reflect proposed depreciation expense of \$48,692
8 less amortization of Contributions in Aid of Construction of \$13,419, or \$35,273.
9

10 **Q-14 Why did you increase franchise taxes by \$681 in adjustment (I)?**

11 **A-14** MTWC is required to pay a franchise tax of 2% of gross revenue to Mohave
12 County. This adjustment increases franchise tax to equate 2% of actual test year revenue
13 (\$313,538 times 2%), or \$6,271.
14

15 **Q-15 Why did you make adjustment (J) to other income and expenses below test**
16 **year operating income?**

17 **A-15** Adjustment (J) removes a prior period adjustment recorded on the books for
18 \$34,387 during the test year that is non-recurring.
19

20 **Q-16 How did you calculate the amount of \$78,014 for adjustment (K)?**

21 **A-16** The proposed increase amount to metered water revenue is calculated on Schedule
22 A-1, and appears on Line 8.
23

24 **Q-17 Why was adjustment (L) made to Franchise Taxes?**

25 **A-17** This adjustment increases franchise tax based on the proposed increase to revenue.
26
27
28

1 Q-18 Is there anything unusual about this application that you would like to
2 discuss?

3 A-18 Yes. MTWC has a coin operated vending machine that dispenses water to
4 customers. Currently, customers get about 58 gallons for a quarter, however, due to
5 customers turning off the machine when their container is full, actual sales are closer to
6 49.7 gallons per quarter (14.33% average decrease). To increase revenue in this
7 category, but yet remain competitive with other water vending machines in the area, the
8 company proposes decreasing the gallons sold per quarter from 58 to 40. Proposed
9 revenue is based upon the 40 gallons per quarter reduced by the "early turn off" factor of
10 14.33%, or 34.3 gallons. When this amount is divided into the test year gallons from the
11 coin machine (3,309,200), it is estimated the company will receive 96,567 quarters at
12 proposed rates, or \$24,142.
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EXHIBIT 2

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: A-1
Title: Computation of Increase in Gross Revenue Requirements.

Explanation:
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost		RCND
1. Adjusted Rate Base	\$ 588,112 (a)	\$	588,112 (a)
2. Adjusted Operating Income	\$ (17,643) (b)	\$	(17,643) (b)
3. Current Rate of Return	0.00%		0.00%
4. Required Operating Income	\$ 58,811	\$	58,811
5. Required Rate of Return	10.00%		10.00%
6. Operating Income Deficiency (4 - 2)	\$ 76,454	\$	76,454
7. Gross Revenue Conversion Factor	1.0204 (c)		1.0204 (c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 78,014	\$	78,014

Customer Classification	Revenue at Present Rates	Revenue at Proposed	Dollar Increase	Percent Increase	
Residential	\$ 235,773	\$ 300,844	\$ 65,071	27.60%	(d)
Commercial	31,882	40,096	8,214	25.76%	
Emergency Surcharge	21,810	-	(21,810)	-100.00%	
Coin Operated	16,650	24,142	7,492	45.00%	
Other	7,424	7,424	-	0.00%	
Total	\$ 313,538	\$ 372,506	\$ 58,967	18.81%	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:
(a) B-1 (c) C-3
(b) C-1 (d) H-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: A-2

Title: Summary Results of Operations

Explanation:

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Spec Reqmt ☐

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-07	31-Dec-08	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 299,492	\$ 285,932	\$ 313,538	\$ 294,492	\$ 294,492	\$ 372,506
2. Revenue Deductions & Operating Expenses	(325,885)	(328,582)	(293,735)	(312,135)	(312,135)	(313,696)
3. Operating Income	\$ (26,393)	\$ (42,650)	\$ 19,803	\$ (17,643)	\$ (17,643)	\$ 58,811
4. Other Income and Deductions	3,662	50,202	46,393	11,556	11,556	11,556
5. Interest Expense	19,738	18,001	13,507	13,507	13,507	13,507
6. Net Income	\$ (42,469)	\$ (10,449)	\$ 52,689	\$ (19,594)	\$ (19,594)	\$ 56,860

- 7. Earned Per Average Common Share*
- 8. Dividends Per Common Share*
- 9. Payout Ratio*
- 10. Return on Average Invested Capital
- 11. Return on Year End Capital
- 12. Return on Average Common Equity
- 13. Return on Year End Common Equity
- 14. Times Bond Interest Earned - Before Inc Tax
- 15. Times Total Interest and Preferred Dividends Earned - After Income Taxes

Ratios not meaningful due to negative equity amount.

Supporting Schedules:

- (a) E-2
- (b) C-1
- (c) F-1

*Optional for projected year

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: A-4

**Title: Construction Expenditures and
 Gross Utility Plant in Service**

Explanation:

Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Spec'l Reqmt ☐

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2007	\$ 35,615	\$ 35,615	\$ 1,677,229
2. Prior Year 2 - 2008	31,639	31,639	1,708,868
3. Test Year - 06/30/2009	18,713	18,713	1,727,581
4. Projected Year - 06/30/10	140,000	140,000	1,867,581
5. Projected *			
6. Projected *			

*** Required only for Class A and B Utilities**

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: B-1
Title: Summary of Original Cost
and RCND

Explanation:
Schedule showing elements of adjusted original cost
and RCND rate bases.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

	Original Cost Rate Base*		RCND Rate Base*
1. Gross Utility Plant in Service	\$ 1,727,581		\$ 1,727,581
2. Less: Accumulated Depreciation	(1,147,977)		(1,147,977)
3. Net Utility Plant in Service	\$ 579,604 (a)		579,603.66 (b)
Less:			
4. Advances in Aid of Construction	22,612 (c)		22,612 (c)
5. Contributions in Aid of Construction (net)	67,502 (c)		67,502 (c)
Add:			
6. Allowance for Working Capital	98,622 (d)		98,622 (d)
7. Total Rate Base	\$ 588,112 (e)		\$ 588,112 (e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5
- (b) B-3
- (c) E-1

Recap Schedules:

- (e) A-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: B-2
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:
Schedule showing pro forma adjustments to gross plant
in service and accumulated depreciation for the original
cost rate base.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1. Gross Utility Plant in Service	\$ 1,727,581		\$ 1,727,581
2. Less: Accumulated Depreciation	(1,147,977)		(1,147,977)
3. Net Utility Plant in Service	\$ 579,604	\$ -	\$ 579,604

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: B-5
Title: Computation of Working Capital

Explanation:
Schedule showing computation of working capital allowance.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

	<u>Amount</u>	
1. Cash working capital		
1/24th Purchased Power	\$ 1,539	
1/24th Purchased Water	171	
1/8th Operation & Maintenance Expense	29,478	
2. Materials and Supplies Inventories	-	(a)
3. Prepayments	67,434	(a)
4. Total Working Capital Allowance	<u>\$ 98,622</u>	(b)

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: C-1
Title: Adjusted Test Year Income
Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities
Class A
Class B
Class C
Class D
Speci Reqmt

X

Description	Actual for Test Year Ended (a) 30-Jun-09	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:						
460 Unmetered Water Revenue	\$ 100		\$ -	\$ 100		\$ 100
461 Metered Water Revenue	267,655	A	2,764	270,419	K \$ 70,522	340,941
461.1 Coin-Operated Sales	16,650			16,650	K 7,492	24,142
474 Other Water Revenue	7,324			7,324		7,324
474.1 Surcharge Revenue	21,810	B	(21,810)	-		-
Total Operating Revenue	\$ 313,538		\$ (19,046)	\$ 294,492	\$ 78,014	\$ 372,506
Operating Expenses:						
601 Salaries & Wages	\$ 93,529			\$ 93,529		\$ 93,529
610 Purchased Water	4,109			4,109		4,109
615 Purchased Power	36,926			36,926		36,926
618 Chemicals						
620 Repairs & Maintenance	7,501	C	6,863	14,364		14,364
621 Office Supplies and Expense	14,126	D	250	14,376		14,376
630 Outside Services	7,155			7,155		7,155
635 Water Testing	3,716			3,716		3,716
641 Rental Expense	6,582			6,582		6,582
650 Transportation Expense	9,746			9,746		9,746
657 Insurance - General Liability	22,503			22,503		22,503
659 Insurance - Health and Life						
665 Regulatory Commission Expense	5,350	E	(5,350)	-		-
666 Rate Case Expense		F	6,667	6,667		6,667
675 Miscellaneous Expense	12,252	G	9,109	21,361		21,361
403 Depreciation & Amortization	35,093	H	180	35,273		35,273
408 Property Taxes	17,019			17,019		17,019
408.1 Taxes Other Than Income	12,538			12,538		12,538
408.2 Franchise Taxes	5,590	I	681	6,271	L 1,561	7,832
409 Income Taxes	\$ -			-		-
Total Operating Expenses	\$ 293,735		\$ 18,400	\$ 312,135	\$ 1,561	\$ 313,696
OPERATING INCOME/(LOSS)	\$ 19,803		\$ (37,446)	\$ (17,643)	(c) \$ 76,453	\$ 58,811
Other Income/(Expense):						
419 Interest and Dividend Income	\$ 106			\$ 106		\$ 106
419.1 Rental Income	11,450			11,450		11,450
421 Non-Utility Income	34,837	J	(34,837)	-		-
426 Miscellaneous Non-Utility Expenses	-			-		-
427 Interest Expense	(13,507)			(13,507)		(13,507)
Total Other Income/(Expense)	\$ 32,886		\$ (34,837)	\$ (1,951)	\$ -	\$ (1,951)
NET INCOME/(LOSS)	\$ 52,689		\$ (72,283)	\$ (19,594)	\$ 76,453	\$ 56,860

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2 (b) C-2

Recap Schedules:
(c) A-1

Explanation:
Schedule itemizing pro forma adjustments to the test year
income statement.

X					
---	--	--	--	--	--

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec Reqmt

Description	A	B	C	D	E	F	G	H	I	J	K	L	Total (a) Adjustments
Revenues:													
Metered Water Revenue	\$ 2,764										\$ 78,014		\$ 80,778
Surcharge Revenue		(21,810)											(21,810)
Expenses:													
Repairs & Maintenance			6,863										\$ 6,863
Office Supplies and Expense				250									250
Regulatory Commission Expense					(5,350)								(5,350)
Rate Case Expense						6,667							6,667
Miscellaneous Expense							9,109						9,109
Depreciation & Amortization								180					180
Franchise Taxes									681			1,561	2,242
Other Income/(Expense):													
Non-Utility Income										(34,837)			\$ (34,837)

Adjustment Descriptions:

- A - Increase Metered Water Revenue to adjust for under billing to fire department and Tier 3 programming error.
- B - Decrease Surcharge revenue to remove partial amount from test year. Surcharge is temporary, and sufficient revenue to meet adjusted expense is built into base rates.
- C - Increase Repairs and Maintenance for amounts incorrectly capitalized for repairs.
- D - Increase Office Supplies and Expense for bank charges reclassified from Regulatory Commission Expense.
- E - Reduce Regulatory Commission Expense by \$5,100 to reclassify CD to Balance sheet and \$250 to Office Supplies for bank charges.
- F - Increase Rate Case Expense to include \$20,000 in estimated expenses amortized over three years.
- G - Increase Miscellaneous Expense to include annualized amount for WIFA service fees paid monthly.
- H - Increase depreciation expense to reflect test year end plant balances at proposed depreciation rates.
- I - Increase Franchise Taxes to reflect an expense level of 2% of revenue.
- J - Remove non-recurring prior period adjustment.
- K - Increase Revenue per calculations on Schedule A-1
- L - Increase Franchise Taxes to reflect an expense level of 2% of proposed revenue.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:

Recap Schedules:
(a) C-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
Schedule showing incremental taxes on gross revenues and
the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Calculation
Revenue	100.0000%
Less: County Franchise Tax @ 2.00%	-2.0000%
Operating Income	98.0000%
Gross Revenue Conversion Factor = 1/Operating Income %	1.0204

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:
(a) A-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: D-1

Title: Summary Cost of Capital

Required for All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

☒

Explanation:

Schedule showing elements of capital structure
and the related cost.

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)								
USDA RD 91-03	\$ 58,993	7.59%	4.5000%	0.3415%	\$ 58,993	7.59%	4.5000%	0.3415%
USDA RD 91-05	67,159	8.64%	4.5000%	0.3888%	67,159	8.64%	4.5000%	0.3888%
WIFA Loan	651,235	83.77%	4.7250%	3.9582%	651,235	83.77%	4.7250%	3.9582%
Short-Term Debt (a)	-				-			0.00%
Common Equity (c)	(364,892)	0.00%	10.00%	0.00%	(364,892)	0.00%	10.00%	0.00%
Total†	\$ 777,387	100.00%		4.6885%	\$ (364,892)	100.00%		4.6885%

†Note: Negative equity is assumed to be zero for these calculations.

Supporting Schedules:

(a) D-2

(b) D-3

(c) D-4

(d) E-1

Recap Schedules:

(e) A-3

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-1
Title: Comparative Balance
Sheet

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Explanation:
Schedule showing comparative balance sheets at the end of the
test year and the 2 fiscal years ended prior to the test year.

	Test Year At 30-Jun-09	Prior Year 31-Dec-08	Prior Year 31-Dec-07
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 1,727,581	\$ 1,708,868	\$ 1,677,229
105 Construction Work in Process	-	-	-
108 Accumulated Depreciation	(1,147,977)	(1,126,204)	(1,078,516)
121 Non-Utility Property			
Total Property Plant & Equipment	\$ 579,604	\$ 582,664	\$ 598,713
Current Assts:			
131 Cash	\$ 18,422	\$ 14,067	\$ 11,984
135 Temporary Cash Investments	5,100		
141 Customer Accounts Receivable	30,081	18,067	20,136
146 Notes/Receivables from Associated Companies			
151 Plant Material and Supplies	67,434	66,242	77,869
162 Prepayments			
174 Miscellaneous Current and Accrued Assets			
Total Current Assets	\$ 121,037	\$ 98,376	\$ 109,989
TOTAL ASSETS	\$ 700,641	\$ 681,040	\$ 708,702
LIABILITIES and CAPITAL			
Capitalization: (b)			
201 Common Stock Issued			
211 Paid in Capital in Excess of Par Value			
215 Retained Earnings	(364,892)	(406,353)	(436,426)
Total Capital	\$ (364,892)	\$ (406,353)	\$ (436,426)
Current Liabilities:			
231 Accounts Payable	\$ 91,178	\$ 89,609	\$ 73,889
232 Notes Payable (Current Portion)			
234 Notes/Accounts Payable to Associated Companies	14,940	16,241	44,744
235 Customer Deposits	88,324	75,816	55,784
236 Accrued Taxes	3,590	11,783	8,800
241 Miscellaneous Current and Accrued Liabilities			
Total Current Liabilities	\$ 198,032	\$ 193,449	\$ 183,217
224 Long-Term Debt (Over 12 Months)	\$ 777,387	\$ 787,330	\$ 836,603
Deferred Credits:			
251 Unamortized Premium on Debt	\$ -	\$ -	\$ -
252 Advances In Aid Of Construction	22,612	32,403	37,678
271 Contributions In Aid Of Construction	347,002	347,002	347,002
272 Less: Amortization of Contributions	(279,500)	(272,791)	(259,372)
281 Accumulated Deferred Income Tax			
Total Deferred Credits	\$ 90,114	\$ 106,614	\$ 125,308
Total Liabilities	\$ 1,065,533	\$ 1,087,393	\$ 1,145,128
TOTAL LIABILITIES and CAPITAL	\$ 700,641	\$ 681,040	\$ 708,702

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-2
Title: Comparative Income
Statements

Explanation:
Schedule showing comparative income statements for the test
year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specf Reqmt ☐

	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Revenues: (a)			
460 Unmetered Water Revenue	\$ 100	\$ 10,555	\$ 1,673
461 Metered Water Revenue	284,304	264,334	283,317
474 Other Water Revenue	29,134	11,043	14,502
Total Revenues	\$ 313,538	\$ 285,932	\$ 299,492
Operating Expenses (a)			
601 Salaries & Wages	\$ 93,529	\$ 85,669	\$ 75,694
610 Purchased Water	4,109		
615 Purchased Power	36,926	35,581	35,535
618 Chemicals	-		
620 Repairs & Maintenance	7,501	12,647	13,861
621 Office Supplies and Expense	14,126	19,907	12,115
630 Outside Services	7,155	13,972	27,734
635 Water Testing	3,716	3,833	2,669
641 Rental Expense	6,582		
650 Transportation Expense	9,746	11,426	9,469
657 Insurance - General Liability	22,503	24,682	23,159
659 Insurance - Health and Life	-		
665 Regulatory Commission Expense	5,350		
666 Rate Case Expense	-		2,537
675 Miscellaneous Expense	12,252	29,632	
403 Depreciation & Amortization	35,093	57,867	81,240
408 Property Taxes	17,019	14,769	20,582
408.1 Taxes Other Than Income	12,538	18,597	21,290
408.2 Franchise Taxes	5,590		
409 Income Taxes	-		
Total Operating Expenses	\$ 293,735	\$ 328,582	\$ 325,885
OPERATING INCOME/(LOSS)	\$ 19,803	\$ (42,650)	\$ (26,393)
Other Income/(Expense)			
419 Interest and Dividend Income	\$ 106	\$ 166	\$ 218
419.1 Rental Income	11,450	15,199	11,350
421 Non-Utility Income	34,837		
426 Miscellaneous Non-Utility Expenses	-	34,837	(7,906)
427 Interest Expense	(13,507)	(18,001)	(19,738)
Total Other Income/(Expense)	\$ 32,886	\$ 32,201	\$ (16,076)
NET INCOME/(LOSS)	\$ 52,689	\$ (10,449)	\$ (42,469)

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-5
Title: Detail of Utility Plant

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Account Number	Description	End of Prior Year at 30-Jun-08	Net Additions	End of Test Year at 30-Jun-09
301	Organization	\$ 17,450		\$ 17,450
302	Franchises	500		500
303	Land & Land Rights	9,842		9,842
304	Structures & Improvements	82,684		82,684
307	Wells & Springs	448,894	22,441	471,335
311	Pumping Equipment	24,239	1,684	25,923
320	Water Treatment Equipment	-		-
320.1	Water Treatment Plant	-		-
320.2	Solution Chemical Feeders	53,075		53,075
330	Distr Res/Standpipes	-		-
330.1	Storage Tanks	166,480		166,480
330.2	Pressure Tanks	-		-
331	T&D Mains	685,818		685,818
333	Services	69,633		69,633
334	Meters & Meter Installations	57,887	1,876	59,763
335	Hydrants	1,230		1,230
339	Other Plant and Misc Equipment	998		998
340	Office Furniture & Equipment	18,691	1,165	19,856
340.1	computers	-		-
341	Transportation Equipment	31,671	2,000	33,671
343	Tools, Shop, and Garage Equipment	9,288	(2,303)	6,985
345	Power Operated Equipment	167		167
347	Miscellaneous Equipment	8,464		8,464
348	Other Tangible Plant	13,707		13,707
Total Plant In Service		\$ 1,700,718	\$ 26,863	\$ 1,727,581
Accumulated Depreciation		1,102,360	45,617	1,147,977
Net Plant In Service		\$ 598,358	\$ (18,754)	\$ 579,604
Construction Work in Process		-	-	-
Total Net Plant		\$ 598,358	\$ (18,754)	\$ 579,604

Supporting Schedules:

Recap Schedules:
E-1 A-4

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-7
Title: Operating Statistics

Explanation:

Schedule showing key operating statistics in comparative format,
for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="checked" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Water Statistics:			
Gallons Sold - By Class of Service:			
Residential	25,696,810	32,814,404	32,539,056
Commercial	4,244,625	5,420,316	5,374,834
Service:			
Residential	680	704	698
Commercial	42	40	50
Average Annual Gallons Per Residential Customer	37,789	46,611	46,618
Average Annual Revenue Per Residential Customer \$	320.58	\$ 342.19	\$ 228.00
Pumping Cost Per 1,000 Gallons	\$ 1.2333	\$ 0.9306	\$ 0.9373

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-8
Title: Taxes Charged to
Operations

Explanation:
Schedule showing all significant taxes charged to operations for
the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Description	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Federal Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	7,705	7,104	6,341
Total Federal Taxes	\$ 7,705	\$ 7,104	\$ 6,341
State Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	3,402	2,835	2,520
Total State Taxes	\$ 3,402	\$ 2,835	\$ 2,520
Local Taxes:			
Property	\$ 17,019	\$ 14,769	\$ 20,582
Franchise	6,271	5,719	5,990
Total Local Taxes	\$ 23,290	\$ 20,488	\$ 26,572
Total Taxes	\$ 34,397	\$ 30,426	\$ 35,432

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

Disclosures should include, but not be limited to the following:

1 Accounting Method.

The books of Mount Tipton are kept as accrual based, and also follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.

For years up to and including the test year ended 06/30/09, depreciation rates as authorized in Decision 67162 were used for all plant asset categories. Proposed depreciation rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.

3 Income tax treatment - normalization or flow through.

Since Mount Tipton is structured as a not-for-profit corporation, income taxes are not included as part of the application.

4 Interest rate used to charge interest during construction, if applicable.

Not Applicable.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: F-1
Title: Projected Income Statements
Present and Proposed Rates

Explanation:
Schedule showing an income statement for the projected year,
compared with actual test year results, at present and proposed
rates.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

	Actual Test Year Ended (a) 31-Dec-08	Projected Year	
		At Present	At Proposed
		Rates Year Ended (b) 31-Dec-09	Rates Year Ended (b) 31-Dec-09
Operating Revenues:			
460 Unmetered Water Revenue	\$ 100	\$ 100	\$ 100
461 Metered Water Revenue	284,304	287,068	365,082
474 Other Water Revenue	29,134	7,324	7,324
Total Operating Revenue	\$ 313,538	\$ 294,492	\$ 372,506
Operating Expenses:			
601 Salaries & Wages	\$ 93,529	\$ 93,529	\$ 93,529
610 Purchased Water	4,109	4,109	4,109
615 Purchased Power	36,926	36,926	36,926
618 Chemicals	-	-	-
620 Repairs & Maintenance	7,501	14,364	14,364
621 Office Supplies and Expense	14,126	14,376	14,376
630 Outside Services	7,155	7,155	7,155
635 Water Testing	3,716	3,716	3,716
641 Rental Expense	6,582	6,582	6,582
650 Transportation Expense	9,746	9,746	9,746
657 Insurance - General Liability	22,503	22,503	22,503
659 Insurance - Health and Life	-	-	-
665 Regulatory Commission Expense	5,350	-	-
666 Rate Case Expense	-	6,667	6,667
675 Miscellaneous Expense	12,252	21,361	21,361
403 Depreciation & Amortization	35,093	35,273	35,273
408 Property Taxes	17,019	17,019	17,019
408.1 Taxes Other Than Income	12,538	12,538	12,538
408.2 Franchise Taxes	5,590	6,271	7,832
409 Income Taxes	-	-	-
Total Operating Expenses	\$ 293,735	\$ 312,135	\$ 313,696
OPERATING INCOME/(LOSS)	\$ 19,803	\$ (17,643)	\$ 58,811
Other Income/(Expense):			
419 Interest Income	\$ 106	\$ 106	\$ 106
419.1 Rental Income	11,450	11,450	11,450
421 Non-Utility Income	34,837	-	-
426 Miscellaneous Non-Utility Expenses	-	-	-
427 Interest Expense	(13,507)	(13,507)	(13,507)
Total Other Income/(Expense)	\$ 32,886	\$ (1,951)	\$ (1,951)
NET INCOME/(LOSS)	\$ 52,689	\$ (19,594)	\$ 56,860
Earnings per share of average Common Stock Outstanding	N/A	N/A	N/A
% Return on Common Equity	N/A	N/A	N/A

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: F-3
Title: Projected Construction
Requirements

Explanation:
Schedule showing projected annual construction requirements, by
property classification, for 1 to 3 years subsequent to the test year
compared with the test year.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Property Classification	Actual	Projected
	Test Year Ended 6/30/2009	Year Ended 6/30/2010
Production Plant	\$ 16,567	\$ 140,000
Transmission Plant	-	
Other Plant	5,041	
Total Plant	\$ 21,608	\$ 140,000

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
(a) F-2 & A-4

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Schedule: F-4
Title: Assumptions Used in
Developing Projections

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

The company has experienced customer decline in the past few years, and does not anticipate that will change.

2 Growth in consumption and customer demand

Customer count, demand, and consumption has actually been decreasing.

3 Changes in expenses

The company believes the test year, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.

4 Construction requirements including production reserves and changes in plant capacity

Mount Tipton is currently cleaning and putting new pumps into many of the wells, and may possibly drill a new well. They are also putting in a large amount of new meters, which has been an ongoing project.

5 Capital structure changes

No changes to the capital structure are anticipated.

6 Financing costs, interest rates

Currently, the Company has three loans as depicted on Schedule D-1, that totaled \$777,387 at the end of the test year. Two of the loans are with USRDA for system improvements, both having interest rates of 4.5%, and one is from WIFA to purchase Dolan Springs Water Company in 2001, and make improvements. The interest on that loan is 4.725%.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-1
Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates

Explanation:
Schedule comparing revenues by customer classification for
the Test Year, at present and proposed rates.

Required for: All Utilities	<input checked="checked" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential				
5/8 x 3/4 inch	\$ 235,773	\$ 300,844	65,071	27.60%
Commercial				
5/8 x 3/4 inch	19,253	23,897	4,644	24.12%
1 inch	570	1,263	693	121.75%
1.5 inch	3,169	3,908	739	23.31%
2 inch	2,659	3,545	886	33.30%
4 inch	6,231	7,483	1,252	20.09%
Emergency Surcharge	\$ 21,810	-	(21,810)	-100.00%
Coin-Operated	\$ 16,650	24,142	7,492	45.00%
Total Water Revenues	\$ 306,114	\$ 365,082	\$ 58,967	19.26%
Other Revenues	\$ 7,424	7,424	-	0.00%
Total Revenues	\$ 313,538	\$ 372,506	\$ 58,967	18.81%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 1 of 2

Explanation:
Schedule comparing present rate schedules with proposed
rate schedule.

(Note: Rates apply to both residential and commercial usage)

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE			
5/8" x 3/4" Meter	\$ 19.00	\$ 26.00	37%
3/4" Meter	28.50	39.00	37%
1" Meter	47.50	70.00	47%
1-1/2" Meter	95.00	130.00	37%
2" Meter	152.00	208.00	37%
3" Meter	285.00	416.00	46%
4" Meter	475.00	575.00	21%
6" Meter	950.00	1,300.00	37%
8" Meter	1,425.00	1,950.00	37%

Commodity Charges Per 1,000 Gallons:

5/8 x 3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45	\$ 2.534
Tier two: 4,001 to 9,000 Gallons	3.20	3.60
Tier three: All Gallons Over 9,000	4.20	4.50

3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45	\$ 2.534
Tier two: 4,001 to 15,000 Gallons	3.20	3.60
Tier three: All Gallons Over 15,000	4.20	4.50

One - inch meter

Tier one: 0 - 25,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 25,000	4.20	4.50

One and one half - inch meter

Tier one: 0 - 50,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 50,000	4.20	4.50

Two - inch meter

Tier one: 0 - 125,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 125,000	4.20	4.50

Three - inch meter

Tier one: 0 - 250,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 250,000	4.20	4.50

Four - inch meter

Tier one: 0 - 400,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 400,000	4.20	4.50

Six - inch meter

Tier one: 0 - 825,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 825,000	4.20	4.50

Eight - inch meter

Tier one: 0 - 1,250,000 Gallons	\$ 3.20	\$ 3.60
Tier two: All Gallons Over 1,250,000	4.20	4.50

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	\$ 25.00	\$ 30.00	20.00%
Establishment (After Hours)	40.00	45.00	12.50%
Reconnection (Delinquent)	40.00	45.00	12.50%
Reconnection (After Hours)	40.00	45.00	12.50%
Meter Test (If Correct)	40.00	40.00	0.00%
Meter Reread (If Correct)	10.00	20.00	100.00%
NSF Check Charge	15.00	25.00	66.67%
Deposit	*	*	
Deposit Interest (Per Annum)	*	*	
Deferred Payment (Per Month)	**	**	
Late Charge (Per Month)	**	**	
Re-establishment (Within 12 Month	***	***	
Main Extension	N/A	Cost	
Bulk Sales per 1,000 Gallons =	\$ 4.20	\$ 6.25	48.81%
Vending rate for 58 gallons	0.25		
Vending rate for 40 gallons		0.25	

MONTHLY SERVICE CHARGE

FOR FIRE SPRINKLER: N/A ****

SERVICE LINE AND METER INSTALLATION CHARGES

Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates			% change
		Service Line	Meter Charge	Total Charge	
5/8" x 3/4" Meter	\$ 438.00	\$ 445.00	\$ 155.00	\$ 600.00	37%
3/4" Meter	462.00	445.00	255.00	700.00	52%
1" Meter	562.00	495.00	315.00	810.00	44%
1-1/2" Meter	838.00	550.00	525.00	1,075.00	28%
2" Meter - Turbine	N/A	830.00	1,045.00	1,875.00	100%
2" Meter - Compound	1,094.00	830.00	1,890.00	2,720.00	149%
3" Meter - Turbine	N/A	1,045.00	1,670.00	2,715.00	100%
3" Meter - Compound	1,281.00	1,165.00	2,545.00	3,710.00	190%
4" Meter - Turbine	N/A	1,490.00	2,670.00	4,160.00	100%
4" Meter - Compound	3,375.00	1,670.00	3,645.00	5,315.00	57%
6" Meter - Turbine	N/A	2,210.00	5,025.00	7,235.00	100%
6" Meter - Compound	4,781.00	2,330.00	6,920.00	9,250.00	93%
8" Meter - Turbine	N/A	3,000.00	7,500.00	10,500.00	100%
8" Meter - Compound	5,000.00	3,200.00	8,000.00	11,200.00	124%

* Per Commission Rule AAC R-14-2-403(B).

** 1.50% of unpaid monthly balance.

*** Month off system times the monthly minimum per Commission rule AAC R14-2-403(D).

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-4
Title: Typical Bill
Analysis
Page 1 of 5

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying	Class A	<input type="checkbox"/>
consumption levels at present and proposed rates.	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
5/8" x 3/4" meter - residential and commercial	Specd Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 19.00	\$ 26.00	36.84%
1,000	21.45	28.53	33.03%
2,000	23.90	31.07	29.99%
3,000	26.35	33.60	27.52%
4,000	28.80	36.14	25.47%
5,000	32.00	39.74	24.18%
6,000	35.20	43.34	23.11%
7,000	38.40	46.94	22.23%
8,000	41.60	50.54	21.48%
9,000	44.80	54.14	20.84%
10,000	49.00	58.64	19.67%
15,000	70.00	81.14	15.91%
20,000	91.00	103.64	13.89%
25,000	112.00	126.14	12.62%
50,000	217.00	238.64	9.97%
75,000	322.00	351.14	9.05%
100,000	427.00	463.64	8.58%
125,000	532.00	576.14	8.30%
150,000	637.00	688.64	8.11%
175,000	742.00	801.14	7.97%
200,000	847.00	913.64	7.87%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-4
Title: Typical Bill
Analysis
Page 2 of 5

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

1 inch meter - commercial

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 47.50	\$ 208.00	337.89%
1,000	50.70	211.60	317.36%
2,000	53.90	215.20	299.26%
3,000	57.10	218.80	283.19%
4,000	60.30	222.40	268.82%
5,000	63.50	226.00	255.91%
6,000	66.70	229.60	244.23%
7,000	69.90	233.20	233.62%
8,000	73.10	236.80	223.94%
9,000	76.30	240.40	215.07%
10,000	79.50	244.00	206.92%
15,000	95.50	262.00	174.35%
20,000	111.50	280.00	151.12%
25,000	127.50	298.00	133.73%
50,000	232.50	410.50	76.56%
75,000	337.50	523.00	54.96%
100,000	442.50	635.50	43.62%
125,000	547.50	748.00	36.62%
150,000	652.50	860.50	31.88%
175,000	757.50	973.00	28.45%
200,000	862.50	1,085.50	25.86%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-4
Title: Typical Bill
Analysis
Page 3 of 5

Explanation:	Required for: All Utilities	<input checked="checked" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying	Class A	<input type="checkbox"/>
consumption levels at present and proposed rates.	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
1.5 inch meter - commercial	Spec'l Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	95.00	\$ 130.00	36.84%
1,000	98.20	133.60	36.05%
2,000	101.40	137.20	35.31%
3,000	104.60	140.80	34.61%
4,000	107.80	144.40	33.95%
5,000	111.00	148.00	33.33%
6,000	114.20	151.60	32.75%
7,000	117.40	155.20	32.20%
8,000	120.60	158.80	31.67%
9,000	123.80	162.40	31.18%
10,000	127.00	166.00	30.71%
15,000	143.00	184.00	28.67%
20,000	159.00	202.00	27.04%
25,000	175.00	220.00	25.71%
50,000	255.00	310.00	21.57%
75,000	340.00	332.50	-2.21%
100,000	445.00	564.00	26.74%
125,000	550.00	647.50	17.73%
150,000	655.00	760.00	16.03%
175,000	760.00	872.50	14.80%
200,000	865.00	985.00	13.87%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-4
Title: Typical Bill
Analysis
Page 4 of 5

Explanation:	Required for: All Utilities	<input checked="checked" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying	Class A	<input type="checkbox"/>
consumption levels at present and proposed rates.	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
2 inch meter - commercial	Spec'l Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	152.00	\$ 208.00	36.84%
1,000	155.20	211.60	36.34%
2,000	158.40	215.20	35.86%
3,000	161.60	218.80	35.40%
4,000	164.80	222.40	34.95%
5,000	168.00	226.00	34.52%
6,000	171.20	229.60	34.11%
7,000	174.40	233.20	33.72%
8,000	177.60	236.80	33.33%
9,000	180.80	240.40	32.96%
10,000	184.00	244.00	32.61%
15,000	200.00	262.00	31.00%
20,000	216.00	280.00	29.63%
25,000	232.00	298.00	28.45%
50,000	312.00	388.00	24.36%
75,000	392.00	478.00	21.94%
100,000	472.00	568.00	20.34%
125,000	552.00	658.00	19.20%
150,000	657.00	770.50	17.28%
175,000	762.00	883.00	15.88%
200,000	867.00	995.50	14.82%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-4
Title: Typical Bill
Analysis
Page 5 of 5

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
4 inch meter - commercial	Spec Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	475.00	\$ 575.00	21.05%
1,000	478.20	578.60	21.00%
2,000	481.40	582.20	20.94%
3,000	484.60	585.80	20.88%
4,000	487.80	589.40	20.83%
5,000	491.00	593.00	20.77%
6,000	494.20	596.60	20.72%
7,000	497.40	600.20	20.67%
8,000	500.60	603.80	20.62%
9,000	503.80	607.40	20.56%
10,000	507.00	611.00	20.51%
15,000	523.00	629.00	20.27%
20,000	539.00	647.00	20.04%
25,000	555.00	665.00	19.82%
50,000	635.00	755.00	18.90%
75,000	715.00	845.00	18.18%
100,000	795.00	935.00	17.61%
125,000	875.00	1,025.00	17.14%
150,000	955.00	1,115.00	16.75%
175,000	1,035.00	1,205.00	16.43%
200,000	1,115.00	1,295.00	16.14%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-5
Title: Bill Count
Page 1 of 6

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

5/8 x 3/4 inch meter - Residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	1,249	-	1,249	15.31%	-	0.00%
1 to 1,000	1,332	666,000	2,581	31.64%	666,000	2.30%
1,001 to 2,000	1,191	1,786,500	3,772	46.24%	2,452,500	8.47%
2,001 to 3,000	1,006	2,515,000	4,778	58.58%	4,967,500	17.15%
3,001 to 4,000	876	3,066,000	5,654	69.31%	8,033,500	27.73%
4,001 to 5,000	605	2,722,500	6,259	76.73%	10,756,000	37.13%
5,001 to 6,000	496	2,728,000	6,755	82.81%	13,484,000	46.55%
6,001 to 7,000	319	2,073,500	7,074	86.72%	15,557,500	53.70%
7,001 to 8,000	242	1,815,000	7,316	89.69%	17,372,500	59.97%
8,001 to 9,000	180	1,530,000	7,496	91.90%	18,902,500	65.25%
9,001 to 10,000	120	1,140,000	7,616	93.37%	20,042,500	69.18%
10,001 to 12,000	173	1,903,000	7,789	95.49%	21,945,500	75.75%
12,001 to 14,000	117	1,521,000	7,906	96.92%	23,466,500	81.00%
14,001 to 16,000	72	1,080,000	7,978	97.81%	24,546,500	84.73%
16,001 to 18,000	45	765,000	8,023	98.36%	25,311,500	87.37%
18,001 to 20,000	35	665,000	8,058	98.79%	25,976,500	89.67%
20,001 to 25,000	39	877,500	8,097	99.26%	26,854,000	92.70%
25,001 to 30,000	28	770,000	8,125	99.61%	27,624,000	95.35%
30,001 to 35,000	14	455,000	8,139	99.78%	28,079,000	96.93%
35,001 to 40,000	8	300,000	8,147	99.88%	28,379,000	97.96%
40,001 to 50,000	6	270,000	8,153	99.95%	28,649,000	98.89%
50,001 to 60,000	1	55,000	8,154	99.96%	28,704,000	99.08%
60,001 to 70,000	2	130,000	8,156	99.99%	28,834,000	99.53%
70,001 to 80,000		-	8,156	99.99%	28,834,000	99.53%
80,001 to 90,000		-	8,156	99.99%	28,834,000	99.53%
90,001 to 100,000		-	8,156	99.99%	28,834,000	99.53%
135,640	1	135,640	8,157	100.00%	28,969,640	100.00%
	8,157	28,969,640				

Average Number of Customers 680
Average Consumption 3,552
Median Consumption 2,305

Supporting Schedules:

Recap Schedules:

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
	8	-	8	1.77%	-	0.00%
1 to 1,000	143	71,500	151	33.33%	71,500	2.20%
1,001 to 2,000	81	121,500	232	51.21%	193,000	5.94%
2,001 to 3,000	49	122,500	281	62.03%	315,500	9.71%
3,001 to 4,000	20	70,000	301	66.45%	385,500	11.86%
4,001 to 5,000	12	54,000	313	69.09%	439,500	13.52%
5,001 to 6,000	12	66,000	325	71.74%	505,500	15.55%
6,001 to 7,000	13	84,500	338	74.61%	590,000	18.15%
7,001 to 8,000	6	45,000	344	75.94%	635,000	19.53%
8,001 to 9,000	10	85,000	354	78.15%	720,000	22.15%
9,001 to 10,000	9	85,500	363	80.13%	805,500	24.78%
10,001 to 12,000	10	110,000	373	82.34%	915,500	28.16%
12,001 to 14,000	7	91,000	380	83.89%	1,006,500	30.96%
14,001 to 16,000	14	210,000	394	86.98%	1,216,500	37.42%
16,001 to 18,000	7	119,000	401	88.52%	1,335,500	41.08%
18,001 to 20,000	7	133,000	408	90.07%	1,468,500	45.18%
20,001 to 25,000	10	225,000	418	92.27%	1,693,500	52.10%
25,001 to 30,000	12	330,000	430	94.92%	2,023,500	62.25%
30,001 to 35,000	10	325,000	440	97.13%	2,348,500	72.25%
35,001 to 40,000	1	37,500	441	97.35%	2,386,000	73.40%
40,001 to 50,000	4	180,000	445	98.23%	2,566,000	78.94%
50,001 to 60,000	3	165,000	448	98.90%	2,731,000	84.02%
60,001 to 70,000	2	130,000	450	99.34%	2,861,000	88.01%
70,001 to 80,000	1	75,000	451	99.56%	2,936,000	90.32%
80,001 to 90,000	-	-	451	99.56%	2,936,000	90.32%
90,001 to 100,000	1	95,000	452	99.78%	3,031,000	93.24%
219,600	1	219,600	453	100.00%	3,250,600	100.00%
	453	3,250,600				

Average Number of Customers 38
Average Consumption 7,176
Median Consumption 1,932

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-5
Title: Bill Count
Page 3 of 6

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - Commercial

Required for: All Utilities

Class A
Class B
Class C
Class D
Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000	1	4,500	1	8.33%	4,500	3.83%
5,001 to 6,000		-	1	8.33%	4,500	3.83%
6,001 to 7,000		-	1	8.33%	4,500	3.83%
7,001 to 8,000	1	7,500	2	16.67%	12,000	10.21%
8,001 to 9,000	1	8,500	3	25.00%	20,500	17.45%
9,001 to 10,000	4	38,000	7	58.33%	58,500	49.79%
10,001 to 12,000	4	44,000	11	91.67%	102,500	87.23%
12,001 to 14,000		-	11	91.67%	102,500	87.23%
14,001 to 16,000	1	15,000	12	100.00%	117,500	100.00%
16,001 to 18,000		-	12	100.00%	117,500	100.00%
18,001 to 20,000		-	12	100.00%	117,500	100.00%
20,001 to 25,000		-	12	100.00%	117,500	100.00%
25,001 to 30,000		-	12	100.00%	117,500	100.00%
30,001 to 35,000		-	12	100.00%	117,500	100.00%
35,001 to 40,000		-	12	100.00%	117,500	100.00%
40,001 to 50,000		-	12	100.00%	117,500	100.00%
50,001 to 60,000		-	12	100.00%	117,500	100.00%
60,001 to 70,000		-	12	100.00%	117,500	100.00%
70,001 to 80,000		-	12	100.00%	117,500	100.00%
80,001 to 90,000		-	12	100.00%	117,500	100.00%
90,001 to 100,000		-	12	100.00%	117,500	100.00%
		12	117,500			

Average Number of Customers 1
Average Consumption 9,792
Median Consumption 9,750

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Schedule: H-5
Title: Bill Count
Page 4 of 6

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1.5 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specil Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000		-	-	0.00%	-	0.00%
5,001 to 6,000		-	-	0.00%	-	0.00%
6,001 to 7,000		-	-	0.00%	-	0.00%
7,001 to 8,000		-	-	0.00%	-	0.00%
8,001 to 9,000		-	-	0.00%	-	0.00%
9,001 to 10,000		-	-	0.00%	-	0.00%
10,001 to 12,000		-	-	0.00%	-	0.00%
12,001 to 14,000		-	-	0.00%	-	0.00%
14,001 to 16,000		-	-	0.00%	-	0.00%
16,001 to 18,000		-	-	0.00%	-	0.00%
18,001 to 20,000		-	-	0.00%	-	0.00%
20,001 to 25,000	2	45,000	2	16.67%	45,000	7.25%
25,001 to 30,000	1	27,500	3	25.00%	72,500	11.68%
30,001 to 35,000		-	3	25.00%	72,500	11.68%
35,001 to 40,000	1	37,500	4	33.33%	110,000	17.72%
40,001 to 50,000	3	135,000	7	58.33%	245,000	39.47%
50,001 to 60,000	2	110,000	9	75.00%	355,000	57.19%
60,001 to 70,000		-	9	75.00%	355,000	57.19%
70,001 to 80,000	2	150,000	11	91.67%	505,000	81.36%
80,001 to 90,000		-	11	91.67%	505,000	81.36%
90,001 to 100,000		-	11	91.67%	505,000	81.36%
115,720	1	115,720	12	100.00%	620,720	100.00%
	12	620,720				

Average Number of Customers 1
Average Consumption 51,727
Median Consumption 40,667

Supporting Schedules:

Recap Schedules:

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specil Reqm

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	3	-	3	20.00%	-	0.00%
1 to 1,000	1	500	4	26.67%	500	0.42%
1,001 to 2,000		-	4	26.67%	500	0.42%
2,001 to 3,000		-	4	26.67%	500	0.42%
3,001 to 4,000	3	10,500	7	46.67%	11,000	9.32%
4,001 to 5,000	1	4,500	8	53.33%	15,500	13.14%
5,001 to 6,000	3	16,500	11	73.33%	32,000	27.12%
6,001 to 7,000	1	6,500	12	80.00%	38,500	32.63%
7,001 to 8,000		-	12	80.00%	38,500	32.63%
8,001 to 9,000		-	12	80.00%	38,500	32.63%
9,001 to 10,000	1	9,500	13	86.67%	48,000	40.68%
10,001 to 12,000		-	13	86.67%	48,000	40.68%
12,001 to 14,000		-	13	86.67%	48,000	40.68%
14,001 to 16,000	1	15,000	14	93.33%	63,000	53.39%
16,001 to 18,000		-	14	93.33%	63,000	53.39%
18,001 to 20,000		-	14	93.33%	63,000	53.39%
20,001 to 25,000		-	14	93.33%	63,000	53.39%
25,001 to 30,000		-	14	93.33%	63,000	53.39%
30,001 to 35,000		-	14	93.33%	63,000	53.39%
35,001 to 40,000		-	14	93.33%	63,000	53.39%
40,001 to 50,000		-	14	93.33%	63,000	53.39%
50,001 to 60,000	1	55,000	15	100.00%	118,000	100.00%
60,001 to 70,000		-	15	100.00%	118,000	100.00%
70,001 to 80,000		-	15	100.00%	118,000	100.00%
80,001 to 90,000		-	15	100.00%	118,000	100.00%
90,001 to 100,000		-	15	100.00%	118,000	100.00%
	15	118,000				

Average Number of Customers 1
Average Consumption 7,867
Median Consumption 4,500

Supporting Schedules:

Recap Schedules:

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

4 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
		-	-	0.00%	-	0.00%
1 to 1,000	1	500	1	8.33%	500	0.31%
1,001 to 2,000		-	1	8.33%	500	0.31%
2,001 to 3,000		-	1	8.33%	500	0.31%
3,001 to 4,000		-	1	8.33%	500	0.31%
4,001 to 5,000		-	1	8.33%	500	0.31%
5,001 to 6,000	1	5,500	2	16.67%	6,000	3.70%
6,001 to 7,000	1	6,500	3	25.00%	12,500	7.72%
7,001 to 8,000		-	3	25.00%	12,500	7.72%
8,001 to 9,000		-	3	25.00%	12,500	7.72%
9,001 to 10,000		-	3	25.00%	12,500	7.72%
10,001 to 12,000	2	22,000	5	41.67%	34,500	21.30%
12,001 to 14,000	1	13,000	6	50.00%	47,500	29.32%
14,001 to 16,000	2	30,000	8	66.67%	77,500	47.84%
16,001 to 18,000	1	17,000	9	75.00%	94,500	58.33%
18,001 to 20,000		-	9	75.00%	94,500	58.33%
20,001 to 25,000	3	67,500	12	100.00%	162,000	100.00%
25,001 to 30,000		-	12	100.00%	162,000	100.00%
30,001 to 35,000		-	12	100.00%	162,000	100.00%
35,001 to 40,000		-	12	100.00%	162,000	100.00%
40,001 to 50,000		-	12	100.00%	162,000	100.00%
50,001 to 60,000		-	12	100.00%	162,000	100.00%
60,001 to 70,000		-	12	100.00%	162,000	100.00%
70,001 to 80,000		-	12	100.00%	162,000	100.00%
80,001 to 90,000		-	12	100.00%	162,000	100.00%
90,001 to 100,000		-	12	100.00%	162,000	100.00%
115,720		-	12	100.00%	162,000	100.00%
	12	162,000				

Average Number of Customers 1
Average Consumption 13,500
Median Consumption 14,000

Supporting Schedules:

Recap Schedules:

EXHIBIT 3

WATER USE DATA SHEET

NAME OF COMPANY	Mount Tipton Water Company, Inc.
ADEQ Public Water System Number:	08-069

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. July 2008	750	4,259,540	5,425,233
2. August 2008	754	3,203,970	5,165,015
3. September 2008	749	3,610,330	4,730,754
4. October 2008	738	3,629,790	4,016,674
5. November 2008	740	2,596,730	3,247,050
6. December 2008	737	2,422,265	3,379,220
7. January 2009	740	3,117,720	3,798,060
8. February 2009	742	1,782,665	3,087,910
9. March 2009	734	2,723,865	3,574,730
10. April 2009	727	3,331,710	3,647,860
11. May 2009	728	3,610,020	4,629,280
12. June 2009	721	3,604,650	4,536,400
TOTAL	N/A	37,893,255	49,238,186

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES

NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES

NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** Gallons pumped cannot equal or be less than the gallons sold.*

EXHIBIT 4

Company Name: Mount Tipton Water Company, Inc.

Test Year Ended: 30-Jun-09

ADEQ PWS 08-069

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-510178	15	40	900	8	2	1935
55-601846	15	20	465	8	2	1966
55-606511	20	20	600	8	2	1972
55-601848	2	20	147	2	1	1972
55-601847	40	21	500	6	2	1978
55-502441	50	240	640	8	4 & 3	1982
55-508835	20	19 & 20	700	8	2	1984
55-520733	5	10	540	8	2	1988

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS

Horsepower	Quantity
10.0	1
7.5	1
5.0	2
3.0	1

FIRE HYDRANTS

Quantity Standard	Quantity Other
	3 blow off

STORAGE TANKS

Capacity	Quantity
200,000	1
100,000	2
55,000	1
50,000	2
25,000	1
10,000	3
8,500	1

PRESSURE TANKS

Capacity	Quantity
1,000	1

Company Name: Mount Tipton Water Company, Inc.

Test Year Ended: 30-Jun-09

ADEQ PWS 08-069

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	8,945
3		680
4		2,964
5		
6		76,580
8		11,490
10		
12		
16		
18		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	905
3/4	
1	1
1 1/2	1
2	2
Comp. 3	
Turbo 3	
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

None

STRUCTURES:

2 office buildings, pump house, fencing, and landscaping.

OTHER:

EXHIBIT 5

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name:	System Type:	Is system consecutive?
MT TIPTON WATER CO INC	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID:	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
08059	<input type="checkbox"/> Transient Non-community	

Overall compliance status:	<input type="checkbox"/> No major deficiencies	<input checked="" type="checkbox"/> Major deficiencies
Monitoring and Reporting status:	<input type="checkbox"/> No major deficiencies	<input checked="" type="checkbox"/> Major deficiencies

Comments: The system has not submitted the 2007 or 2008 Consumer Confidence Report (CCR). The CCR is due every year by July 1st for the previous calendar year.

Operation and Maintenance status:	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey: 8/28/08	Inspector: Andy Wilson, NRO	

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|-------------------------------------------------------------|-------------------------------------------------------|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> ATC/AOC |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other = |

Comments: Significant deficiencies identified during the Sanitary Survey on treatment, distribution system, and monitoring and reporting have been addressed.

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments: None		

System Information	
Population Served	3900
Service Connections	898
Number of Inlet Points to the Distribution System	6
Number of Outlets	8
Initial Monitoring Year	1994
Monitoring/Assistance Program (M/A) System	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

By whom completed by:	Donna Calderon, Manager
Drinking Water Monitoring and Protection Unit	
Phone: 602-771-4641	Date: October 23, 2009
<input type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.
<input checked="" type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

EXHIBIT 6



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE



Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 7344	Invoice Number 65997
To: MT TIPTON WATER CO PO BOX 38 DOLAN SPRINGS AZ 86441-0038	Public Water System ID #: 08059
	Billing for Calendar Year: 2010
	Due Date: December 11, 2009
	Total Amount Due \$ 2,557.86
	Amount Paid \$

↑ Keep the top portion for your records. ↑

ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice

Invoice # 65997

MT TIPTON WATER CO PO BOX 38 DOLAN SPRINGS AZ 86441-0038	Owner Id #: 7344 MAP
	Billing for Calendar Year: 2010
	Due Date: 12/11/2009

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	910	\$ 250.00
Fee per Connection in 2010.	910 connections X \$ 2.57	\$ 2,338.70
Total Sampling Fee		\$ 2,588.70
Plus Paid Interest Charges and/or Other Adjustments		\$ 0.00
Plus Unpaid Interest Charges as of 10/27/2009		\$ 0.00
Minus Payments Received and/or Other Adjustments		\$ 0.00
Amount Due		\$ 2,588.70
Amount received by ADEQ (Make check payable to State of Arizona)		\$ 2,557.86



A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CS3 10/27/2009
W1300G



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

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OCT 8 2008

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 7344	Invoice Number 65105
To: MT TIPTON WATER CO PO BOX 38 DOLAN SPRINGS AZ 86441-0038	Public Water System ID #: 08059
	Billing for Calendar Year: 2009
	Due Date: November 17, 2008
	Total Amount Due \$ 1,460.47
	Amount Paid \$

↑ Keep the top portion for your records. ↑

ADEQ Federal Tax # ~~0000000000~~

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax # ~~0000000000~~

Annual Sampling Fee Invoice

Invoice # 65105

MT TIPTON WATER CO PO BOX 38 DOLAN SPRINGS AZ 86441-0038	Owner Id #: 7344 MAP
	Billing for Calendar Year: 2009
	Due Date: 11/17/2008

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	\$ 250.00	
Fee per Connection in 2009	471 connections X \$ 2.57	\$ 1,210.47
Total Sampling Fee	\$ 1,460.47	
Plus Paid Interest Charges and/or Other Adjustments	\$ 0.00	
Plus Unpaid Interest Charges as of 10/01/2008	\$ 0.00	
Minus Payments Received and/or Other Adjustments	\$ 0.00	
Amount Due	\$ 1,460.47	
Amount received by ADEQ (Make check payable to State of Arizona)	\$	

* A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CS3 10/01/2008
WM300G6

Mt. Tipton Water Co., Inc./P.O. Box 38

State of Arizona				3/12/2009	8114	
Date	Type	Reference	Original Amt.	Balance Due	Discount	F
10/22/2008	Bill	65105	1,460.47	1,460.47		1
				Check Amount		1

Cash in Bank-Stockm

Mt. Tipton Water Co., Inc./P.O. Box 38

State of Arizona				3/12/2009	8114	
Date	Type	Reference	Original Amt.	Balance Due	Discount	F
10/22/2008	Bill	65105	1,460.47	1,460.47		1
				Check Amount		1

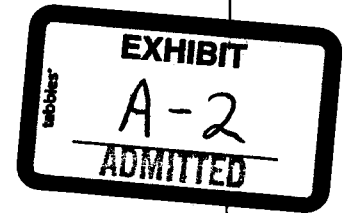
Cash in Bank-Stockm

1 Steve Wene, No. 019630
2 MOYES SELLERS & SIMS LTD.
3 1850 N. Central Avenue, Suite 1100
4 Phoenix, Arizona 85004
5 (602)-604-2189
6 swene@lawms.com
7 Attorneys for Mount Tipton Water Co.

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2010 JUN 18 P 3:58

ALL CORP COMMISSION
DOCKET CONTROL



8
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 **COMMISSIONERS**

11 KRISTIN K. MAYES, CHAIRMAN
12 GARY PIERCE
13 PAUL NEWMAN
14 SANDRA D. KENNEDY
15 BOB STUMP

16 **APPLICATION OF MOUNT TIPTON
17 WATER CO., INC. FOR AN INCREASE
18 IN ITS WATER RATES**

Docket No. W-02105A-09-0522

**NOTICE OF FILING OF REBUTTAL
TESTIMONY AND POTENTIAL
EXHIBITS**

19 Mt. Tipton Water Co., Inc. ("Company"), hereby gives notice that it is filing the
20 rebuttal testimony of the following witnesses:
21

- 22 • Sonn Rowell (Attachment 1); and
- 23 • Michelle Monzillo (Attachment 2).

24 The rebuttal testimony of each of these witnesses is being submitted with this notice. The
25 potential exhibits are being submitted as exhibits to the testimonies identified above.
26
27
28

1
2 RESPECTFULLY SUBMITTED this 18th day of June, 2010.
3

4 MOYES SELLERS & SIMS

5 
6

7 Steve Wene

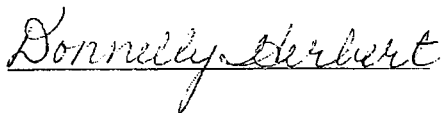
8 Attorneys for Mt. Tipton Water Company

9 Original and 13 copies of the foregoing
10 filed this 18th day of June, 2010, with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Copy of the foregoing mailed this
16 18th day of June, 2010, to:

17 Kimberly Ruht
18 Legal Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22 
23
24
25
26
27
28

ATTACHMENT 1

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**
3
4

5 **COMMISSIONERS**

6 KRISTIN K. MAYES, CHAIRMAN
7 GARY PIERCE
8 PAUL NEWMAN
9 SANDRA D. KENNEDY
10 BOB STUMP

11 **APPLICATION OF MOUNT TIPTON**
12 **WATER CO., INC. FOR AN INCREASE**
13 **IN ITS WATER RATES**
14

Docket No. W-02105A-09-0522

REBUTTAL TESTIMONY OF
SONN ROWELL

15
16 **Q-1 Please state your name and current employment position:**

17 **A-1** My name is Sonn S. Rowell, and I am a Certified Public Accountant and
18
19 managing member of Desert Mountain Analytical Services, PLLC.

20 **Q-2 Describe your educational and professional background:**

21 **A-2** I have a Bachelor of Science Degree in Accounting from Arizona State University,
22
23 as well as my CPA certification from the Arizona State Board of Accountancy. I have
24 worked for many years in the practice of public accounting, and have held part-time
25 teaching positions at Mesa Community College. After employment with the Utilities
26 Division of the Arizona Corporation Commission ("Commission") for four years, I
27
28 started DMAS and now specialize in regulatory accounting and consulting.

1 **Q-3 By whom are you employed and in what capacity?**

2 **A-3** I have been retained by Mount Tipton Water Company ("Company") to perform a
3 financial analysis of the books and records of the Company in order to prepare a
4 permanent rate application for submittal to the Commission.
5

6 **Q-4 What is the purpose of your testimony?**

7 **A-4** The purpose of my testimony is to explain the Company's position generally and
8 identify material issues where the Company's position differs from the testimony
9 provided by Staff and explain the Company's position as it relates to rate-making. As
10 part of this process, I generated the schedules set forth in Exhibit 1, which I hereby offer
11 as exhibits in this matter.
12
13

14 **Q-5 What is the Company's recommended revenue?**

15 **A-5** The Company proposes increasing its revenue by \$88,701, or 22.9% over its
16 adjusted test year revenue of \$285,116, resulting in recommended revenue of \$373,817.
17 This revenue requirement will result in operating income of \$58,899, or a 10% rate of
18 return on proposed rate base of \$588,989.
19
20

21 **Q-6 Does the Company rebuttal schedules and testimony reflect the changes to**
22 **gross utility plant in service and accumulated depreciation referenced by Mr. Igwe**
23 **on page 3 of his direct testimony?**

24 **A-6** Yes. All Company schedules have been updated to match the changes to plant as
25 discussed in Mr. Igwe's testimony, and now the Company and Staff agree on both test
26 year end utility plant in service and accumulated depreciation.
27
28

Q-7 Are there other rate base areas where the Company and Staff agree?

1 A-7 Yes, we agree on net CIAC of \$67,502 and the revised AIAC amount of \$144,604.

2 **Q-8 Where do the Company and Staff disagree on rate base?**

3
4 A-8 The Company and Staff disagree on rate base treatment of customer security
5 deposits, and the amount of working capital allowance.

6 **Q-9 What is the working capital allowance difference?**

7
8 A-9 The difference is attributed to adjustments to test year operating expenses that
9 directly impact the working capital allowance calculation. Fundamentally, there is no
10 disagreement with Staff, and the operating expense differences will be discussed later in
11 this testimony.

12
13 **Q-10 Why do you disagree with Staff's \$14,940 rate base disallowance associated**
14 **with customer security deposits?**

15 A-10 A security deposit is money that belongs to the customer, not the Company.
16
17 Subtracting customer security deposits from rate base is not a proper ratemaking
18 procedure, and even if the adjustment was warranted, it would need to be modified to
19 account for the 6% interest the company is required to pay on customer security deposits.

20
21 **Q-11 Why do you believe that a deduction to rate base for customer security**
22 **deposits is not proper ratemaking procedure?**

23 A-11 First, a review of the NARUC Uniform System of Accounts for Class C Water
24 Utilities ("USoA") reveals that customer security deposits are not mentioned at all in the
25 USoA. It is quite common for utilities to require security deposits, thus if a rate base
26 adjustment to account for them was warranted, one would expect the USoA to include
27 some description of security deposits and the proper accounting of them. If security
28

1 deposits were rarely used or were specific to particular circumstances it would be
2 reasonable to believe that the USoA would not include a reference to them; however, as
3 previously stated, security deposits are quite common in the water utility industry.
4 Additionally, Staff's adjustment treats the security deposits as if they were AIAC or
5 CIAC but a review of the USoA's definition of AIAC and CIAC reveals that security
6 deposits do not fit NARUC's definitions of AIAC or CIAC. The USoA description of
7 AIAC indicates that it "shall include advances by or in behalf of customers *for*
8 *construction* which are to be refunded..."¹ Since customer security deposits are collected
9 as security for future amounts due, they are clearly not intended to cover any construction
10 costs. Customer security deposits are not AIAC and should not be treated as such.
11

12 Similarly, customer security deposits do not meet the USoA definition of CIAC.
13 The USoA describes CIAC as "Any amount or item of money, services or property
14 received by a utility, from any person or governmental agency, any portion of which is
15 provided *at no cost* to the utility, which represents *an addition or transfer to the capital*
16 of the utility, and which is *utilized to offset the acquisition, improvement or construction*
17 *costs* of the utilities property, facilities or equipment used to provide utility services to the
18 public."² Customer security deposits are not provided at no cost (the utility must refund
19 the security deposit *with interest*); they do not in any way increase the capital of the
20
21
22
23
24

25
26 ¹ NARUC Uniform System of Accounts for Class C Water Utilities Description of Balance
27 sheet account 252. (Emphasis added).

28 ² NARUC Uniform System of Accounts for Class C Water Utilities Description of Balance
sheet account 271. (Emphasis added).

1 utility and they are not used to offset the acquisition, improvement or construction of
2 utility property. Since customer security deposits do not meet the USoA's definition of
3 CIAC they should not be treated as CIAC as Staff recommends.
4

5 **Q-12 Why do you believe that Staff's stated reason for Rate Base Adjustment No. 4**
6 **is not compelling?**
7

8 **A-12** At page 12 lines 8-9 of his Direct Testimony Mr. Igwe states that "(T)he balance
9 of customer deposits is eliminated from OCRB to insure that investors do not earn a
10 return on customer deposits." Utility investors earn the ACC authorized rate of return on
11 the utility's rate base only. Customer security deposits *are not included* in the
12 Company's rate base, so there is no way for it to earn the authorized rate of return on
13 them. Even if the security deposits were held in an interest bearing account, given the
14 low interest rates currently prevailing, any amount of interest earned would be more than
15 offset by the requirement that the Company pay 6% interest to its customers on security
16 deposits. In addition, the Company is a non-profit corporation owned by the ratepayers,
17 so it does not have any true investors.
18
19
20

21 **Q-13 Please explain why you believe that even if a rate base adjustment was**
22 **warranted, it would need to be modified to account for the 6% interest the**
23 **Company pays on customer security deposits.**
24

25 **A-13** Reducing rate base by the amount of customer deposits at the end of the test year
26 will impact the revenue requirement through the authorized rate of return (10%
27 recommended by the Company and 8.49% as recommended by Staff). Since the
28 Company is already required to pay 6% interest to its customers that provide security

1 deposits the 6% should be netted against the authorized rate of return such that the return
2 used to calculate the revenue requirement impact of Rate Base Adjustment 4 would be
3 4% if the Company's recommended rate of return is approved or 2.49% if Staff's
4 recommended rate of return is approved.
5

6 **Q-14 Moving to Rebuttal Schedule C-1, it appears the Company has increased the**
7 **amount of adjustments to actual test year end amounts. Why?**
8

9 **A-14** The Company has added several adjustments that either incorporate, or respond to,
10 the adjustments proposed to operating revenue and expense on Schedule AII-10.
11

12 **Q-15 Adjustment A now reduces test year metered water revenue, but in direct**
13 **testimony this adjustment increased test year metered water revenue. What drove**
14 **this change?**
15

16 **A-15** Test year revenues for the 5/8 by 3/4-inch and 2-inch meters have been annualized
17 to May 2010 customer count.
18

19 **Q-16 Why did the Company determine it was appropriate to annualize revenue for**
20 **rebuttal testimony?**
21

22 **A-16** During the Test Year, and subsequent to the Test Year, the Company has
23 experienced nearly a continued decrease in customers each month. The following table
24 delineates the monthly billed connections each month, from the first month of the test
25 year through May 2010.
26

Month/Year	# of Connections
July 2008	750
August 2008	754
September 2008	749

October 2008	738
November 2008	740
December 2008	737
January 2009	740
February 2009	742
March 2009	734
April 2009	727
May 2009	728
June 2009	721
July 2009	711
August 2009	710
September 2009	702
October 2009	704
November 2009	688
December 2009	691
January 2010	696
February 2010	695
March 2010	690
April 2010	695
May 2010	692

As illustrated in the above table, the monthly connections for the Company has decreased from 750 at the beginning of the test year in July of 2008, to 692 in May 2010. This translates to 58 monthly customers, or a loss of 7.7% of the beginning customer base. Since the loss of customers has been so dramatic, and the financial position of the company continues to be tenuous, it necessary to annualize test year revenue to account for this known substantial loss of monthly revenue.

Q-17 Is there detail provided of the revenue annualization adjustments proposed by the Company?

A-17 Yes. Rebuttal Schedule C-2a provides the calculation for Adjustment A at test year present rates, and Rebuttal Schedule C-2e contains the support behind the adjustment to proposed revenue as reflected on Rebuttal Schedule H-1.

1 **Q-18 Is this revenue annualization the only difference between the Company and**
2 **Staff's adjusted test year revenue?**

3
4 **A-18** Yes. The difference is \$9,377, which is the net amount of the two annualization
5 adjustments as reflected on Rebuttal Schedule C-2a.

6 **Q-19 Please identify which adjustments to operating expenses Staff has**
7 **recommended the Company has adopted.**

8
9 **A-19** The Company has reduced its adjustment to repairs and maintenance expense by
10 \$3,000 to incorporate Staff's decrease as recommended on Schedule AII-13, which is
11 reflected by Adjustment C on Rebuttal Schedule C-1. The Company has also accepted
12 Staff's adjustment to water testing expense as reflected on Schedule AII-14, and that is
13 Company Adjustment M. Additionally, due to the previously discussed increase to utility
14 plant in service, the Company has also adopted Staff's recommended depreciation
15 expense amount as depicted on Schedule AII-16 of \$49,695, reflected in Adjustment H.

16
17
18 **Q-20 Does the Company agree with Staff's proposed adjustment to decrease**
19 **general liability insurance expense as reflected on Schedule AII-15?**

20
21 **A-20** Not completely. Staff's adjustment reduced this expense to the current amount of
22 the general liability insurance policy obtained by the Company, and as a result, omitted
23 some test year workers compensation insurance expenses.

24
25 **Q-21 So, the Company agrees with Staff that the amount of insurance expense**
26 **related to the general liability insurance should be decreased, but should also be**
27 **adjusted for actual test year expenses attributed to workers compensation**
28 **insurance?**

1 A-21 Yes. The Company is proposing two adjustments to include actual test year
2 workers compensation insurance expenses on Rebuttal Schedule C-2b. Adjustment N
3 first nets Staff's adjustment to decrease insurance expense with the Company's proposed
4 adjustment to include test year expenses related to workers compensation insurance. The
5 net amount of \$10,273 reduced Insurance - General Liability to \$12,230. Second,
6 Adjustment N reduces Taxes Other Than Income by \$1,700 to remove improperly
7 classified accruals related to workers compensation insurance.
8
9

10 **Q-22 What currently are the areas of disagreement between Staff and the**
11 **Company regarding operating income and expense adjustments?**
12

13 A-22 Mainly, the Company disagrees with Staff's adjustments to purchased power
14 expense and property taxes.
15

16 **Q-23 Please explain the Company's position on Staff's \$4,722 decrease to**
17 **purchased power expense as reflected on Schedule AII-12.**

18 A-23 First, it is unfair to penalize a Company with this type of adjustment, especially
19 when the Company's last quarterly water loss report achieved a water loss of under 10%.
20 The Company is not intentionally losing water. The sad reality is that the system is past
21 its operating prime. Second, my understanding from the Company is that the water loss
22 amounts had been misstated in past reporting, but the Company has corrected the
23 reporting problems. Third, the Company has been actively seeking and stopping leaks to
24 improve water loss on an ongoing basis, a process that continues to this day. Finally,
25 much of the "water loss" could potentially be attributed to the fire department which
26
27
28

1 refuses to report the amount of water they obtain from Company water sources, or pay for
2 it.
3

4 **Q-24 Why then does the Company recommend a \$1,000 decrease to Purchased**
5 **Power as reflected by Adjustment P on Rebuttal Schedule C-1?**

6 **A-24** Adjustment P could be best described as the companion adjustment to the revenue
7 annualization adjustments. The Company asserts that customer levels have dropped
8 during and since the test year, and as a result, so has the amount of water pumped and
9 sold. This change impacts purchased power expense, and the Company's proposed
10 adjustment to account for this is detailed on Rebuttal Schedule C-2d.
11
12

13 **Q-25 Why does the Company disagree with the reduction proposed to property tax**
14 **expense by Staff?**

15 **A-25** I disagree because the amount of annual property tax expense proposed by Staff is
16 less than the actual test year amount. Rebuttal Schedule C-2c details the actual amount of
17 property tax expense incurred by the utility during the test year, and Adjustment O
18 increases property tax expense by \$156 to reflect that actual test year amount.
19
20

21 **Q-26 Please explain the difference between Staff and the Company's recommended**
22 **franchise taxes.**

23 **A-26** The franchise taxes that the Company is required by Mohave County to pay are
24 simply 2% of revenue. The difference between the Company and Staff's recommended
25 tax amounts can be attributed to the amount of revenue requirement proposed by each
26 party. The Company's calculations to adjust franchise tax expenses in both the test year,
27 and at proposed rates are detailed on Rebuttal Schedule C-2f.
28

1 **Q-27 Do you agree with the amount of revenue increase Staff attributed to Coin**
2 **Operated Sales of \$8,878?**

3
4 **A-27** No. The Company feels the amount of the increase is overstated by \$1,386.

5 Please refer to the following table for details behind the Company calculation to support
6 the actual amount of revenue increase based on a change from 58 gallons for \$0.25 to 40
7 gallons for \$0.25.
8

9	1	Test Year Coin Operated Revenue	\$16,646.50
10	2	Number of Quarters (Line 1 times .25)	66,598
11	3	Gallons per quarter	58
12	4	Gallons sold per quarters received (Line 2 x Line 3)	3,862,684
13	5	Actual gallons sold from coin machine	3,309,200
14	6	Difference (Line 4 – Line 5)	553,484
15	7	Percentage (Line 5 divided by Line 4)	14.33%
16	8	Proposed gallons per quarter	40
17	9	Percentage of gallons not taken per Line 7	14.33%
18	10	Actual gallons dispensed per quarter (Line 8 times 9)	34.27
19	11	Actual gallons sold from coin machine	3,309,200
20	12	Quarters needed to reach test year gallons (Line 11/10)	96,567
21	13	Revenue generated at proposed rates (Line 12 * \$0.25)	\$24,142

22 **Q-28 Which Company proposed adjustments did not change on Schedule C-1**
23 **between the original application and this rebuttal testimony?**

24 **A-28** Adjustment B to surcharge revenue did not change, as well as Adjustment D to
25 Office Supplies and Expense. Other proposed adjustments that remain the same since the
26 original application are Adjustments E, F, and G to Regulatory Commission Expense,
27 Rate Case Expense, and Miscellaneous Expense. In addition, Company proposed
28 Adjustment J to Non-Utility income has not changed. Finally, the \$7,492 portion of

1 Adjustment K to Coin-Operated Sales remains the same, but differs from Staff's
2 calculation.
3

4 **Q-29 Did Staff agree with the above adjustments in its direct testimony?**

5 **A-29** It appears so, with the exception of the aforementioned difference in Coin-
6 Operated Sales.
7

8 **Q-30 The actual amount of the proposed increase recommended by the Company**
9 **in this rebuttal testimony is nearly identical to that requested in its application. Has**
10 **the rate design remained virtually the same as well?**

11 **A-30** No. The rate design proposed by the Company in its rebuttal filing adopts Staff's
12 commodity rate tier design as proposed in direct testimony. Staff recommended the
13 current monthly minimum charge for all meter sizes remain the same, thus placing the
14 entire amount of the rate increase on the commodity rates. The Company will adopt
15 Staff's tiered rate design, and proposes the balance of the rate increase come from an
16 increase to the monthly minimum rates.
17
18

19 **Q-31 What will the monthly minimum increase for a 5/8 by 3/4-inch meter amount**
20 **to under the Company's revised rate design?**
21

22 **A-31** The monthly minimum will increase from the current rate and Staff proposed rate
23 of \$19.00, by \$3.60 to the Company recommended amount of \$22.60 per month.
24

25 **Q-32 Will the current emergency surcharge of \$10 per meter connection per month**
26 **continue once the new rates are approved?**

27 **A-32** No. The currently approved emergency surcharge in effect will cease once the
28 new rates go into effect. As a result, the amount that a 5/8 by 3/4-inch customer will pay

1 as a minimum rate on a monthly basis will actually change from \$29.00 (\$19.00 monthly
2 minimum charge plus \$10.00 monthly emergency surcharge) to \$22.60, or a decrease of
3 \$6.40 per month.
4

5 **Q-33 Won't that savings be offset by the increase in the commodity rates?**

6 **A-33** For some customers, yes. However, the amount of the revised Company proposed
7 increase in the gross revenue requirement is only about \$5,000 more than if the \$10 per
8 month emergency surcharge had remained in effect going forward. Theoretically, this
9 rate increase could better be characterized as a rate re-distribution, whereas the monthly
10 minimum reflects a modest increase, while the bulk of the increase comes from the
11 commodity rate, thus water use, and the surcharge disappears from the rate structure.
12

13
14 **Q-34 Why is some of the rate increase resulting from increases to the monthly**
15 **minimum charges important to the Company even though Staff was in favor of the**
16 **entire amount of its recommended increase coming from the commodity rates?**
17

18 **A-34** The Company has had an emergency surcharge of \$10 per connection per month
19 for over a year now, and has come to depend on the consistent amount of money it
20 generates each month. Although redistribution of the surcharge revenue is appropriate at
21 this time, the Company recommends a small portion of the increase come from the
22 monthly minimum charges.
23

24
25 **Q-35 Does that conclude your testimony?**

26 **A-35** Yes.
27
28

EXHIBIT 1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: A-1
Title: Computation of Increase in Gross Revenue Requirements.

Explanation:
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost	RCND
1. Adjusted Rate Base	\$ 588,989 (a)	\$ 588,989 (a)
2. Adjusted Operating Income	\$ (28,028) (b)	\$ (28,028) (b)
3. Current Rate of Return	0.00%	0.00%
4. Required Operating Income	\$ 58,899	\$ 58,899
5. Required Rate of Return	10.00%	10.00%
6. Operating Income Deficiency (4 - 2)	\$ 86,927	\$ 86,927
7. Gross Revenue Conversion Factor	1.0204 (c)	1.0204 (c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 88,701	\$ 88,701

Customer Classification	Revenue at Present Rates	Revenue at Proposed	Dollar Increase	Percent Increase
Residential	\$ 235,773	\$ 295,625	\$ 59,852	25.39%
Commercial	31,882	46,626	14,745	46.25%
Emergency Surcharge	21,810	-	(21,810)	-100.00%
Coin Operated	16,650	24,142	7,492	45.00%
Other	7,424	7,424	-	0.00%
Total	\$ 313,538	\$ 373,817	\$ 60,279	19.23%

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

- (a) B-1 (c) C-3
(b) C-1 (d) H-1

Mount Tipton Water Company, Inc.

Test Year Ended June 30, 2009

Rebuttal Schedule: A-2

Title: Summary Results of Operations

Explanation:

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec Reqmt	<input type="checkbox"/>

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-07	31-Dec-08	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 299,492	\$ 285,932	\$ 313,539	\$ 285,116	\$ 285,116	\$ 373,817
2. Revenue Deductions & Operating Expenses	(325,885)	(328,582)	(293,735)	(313,144)	(313,144)	(314,918)
3. Operating Income	\$ (26,393)	\$ (42,650)	\$ 19,804	\$ (28,028)	\$ (28,028)	\$ 58,899
4. Other Income and Deductions	3,662	50,202	46,393	11,556	11,556	11,556
5. Interest Expense	19,738	18,001	13,507	13,507	13,507	13,507
6. Net Income	\$ (42,469)	\$ (10,449)	\$ 52,690	\$ (29,979)	\$ (29,979)	\$ 56,948

- 7. Earned Per Average Common Share*
- 8. Dividends Per Common Share*
- 9. Payout Ratio*
- 10. Return on Average Invested Capital
- 11. Return on Year End Capital
- 12. Return on Average Common Equity
- 13. Return on Year End Common Equity
- 14. Times Bond Interest Earned - Before Inc Tax
- 15. Times Total Interest and Preferred Dividends Earned - After Income Taxes

Ratios not meaningful due to negative equity amount.

Supporting Schedules:

- (a) E-2
- (b) C-1
- (c) F-1

*Optional for projected year

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: A-4

**Title: Construction Expenditures and
 Gross Utility Plant in Service**

Explanation:

Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specl Reqmt ☐

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2007	\$ 36,565	\$ 36,565	\$ 1,860,115
2. Prior Year 2 - 2008	28,335	28,335	1,888,450
3. Test Year - 06/30/2009	28,290	28,290	1,916,740
4. Projected Year - 06/30/10	140,000	140,000	2,056,740
5. Projected *			
6. Projected *			

*** Required only for Class A and B Utilities**

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: B-1
Title: Summary of Original Cost
and RCND

Explanation:
Schedule showing elements of adjusted original cost
and RCND rate bases.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	Original Cost Rate Base*		RCND Rate Base*	
1. Gross Utility Plant in Service	\$ 1,916,740		\$ 1,916,740	
2. Less: Accumulated Depreciation	(1,212,674)		(1,212,674)	
3. Net Utility Plant in Service	\$ 704,066 (a)		704,066 (b)	
<i>Less:</i>				
4. Advances in Aid of Construction	144,604 (c)		144,604 (c)	
5. Contributions in Aid of Construction (net)	67,502 (c)		67,502 (c)	
6. Total Deductions	\$ 212,106		\$ 212,106	
<i>Add:</i>				
7. Allowance for Working Capital	\$ 97,029 (d)		\$ 97,029 (d)	
8. Total Original Cost Rate Base	<u>\$ 588,989 (e)</u>		<u>\$ 588,989 (e)</u>	

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) B-2 (d) B-5
(b) B-3
(c) E-1

Recap Schedules:

(e) A-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: B-2
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:

Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1. Gross Utility Plant in Service	\$ 1,727,581	\$ 189,159 1	\$ 1,916,740
2. Less: Accumulated Depreciation	(1,147,977)	(64,697) 2	(1,212,674)
3. Net Utility Plant in Service	\$ 579,604	\$ 124,462	\$ 704,066

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

1. Adopt Staff's adjustment as reflected on Schedule AII-3 to include items improperly recorded in the Advances in Aid of Construction account.
2. Adjust accumulated depreciation to account for additional plant as described in item 1 above.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: B-5
Title: Computation of Working Capital

Explanation:
Schedule showing computation of working capital allowance.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

	<u>Amount</u>	
1. Cash working capital		
1/24th Purchased Power	\$ 1,497	
1/24th Purchased Water	171	
1/8th Operation & Maintenance Expense	27,927	
2. Materials and Supplies Inventories	-	(a)
3. Prepayments	67,434	(a)
4. Total Working Capital Allowance	<u>\$ 97,029</u>	(b)

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-1
Title: Adjusted Test Year Income
Statement

Explanation:

Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec Reqmt

X

Description	Actual for Test Year Ended (a) 30-Jun-09	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:						
460 Unmetered Water Revenue	\$ 100		\$ -	\$ 100		\$ 100
461 Metered Water Revenue	267,655	A	(6,613)	261,042	K \$ 81,209	342,251
461.1 Coin-Operated Sales	16,650			16,650	K 7,492	24,142
474 Other Water Revenue	7,324			7,324		7,324
474.1 Surcharge Revenue	21,810	B	(21,810)	-		-
Total Operating Revenue	\$ 313,539		\$ (28,423)	\$ 285,116	\$ 88,701	\$ 373,817
Operating Expenses:						
601 Salaries & Wages	\$ 93,529			\$ 93,529		\$ 93,529
610 Purchased Water	4,109			4,109		4,109
615 Purchased Power	36,926	P	(1,000)	35,926		35,926
618 Chemicals						
620 Repairs & Maintenance	7,501	C	3,863	11,364		11,364
621 Office Supplies and Expense	14,126	D	250	14,376		14,376
630 Outside Services	7,155			7,155		7,155
635 Water Testing	3,716	M	2,973	6,689		6,689
641 Rental Expense	6,582			6,582		6,582
650 Transportation Expense	9,746			9,746		9,746
657 Insurance - General Liability	22,503	N	(10,273)	12,230		12,230
659 Insurance - Health and Life						
665 Regulatory Commission Expense	5,350	E	(5,350)	-		-
666 Rate Case Expense		F	6,667	6,667		6,667
675 Miscellaneous Expense	12,252	G	9,109	21,361		21,361
403 Depreciation & Amortization	35,093	H	14,602	49,695		49,695
408 Property Taxes	17,019	O	156	17,175		17,175
408.1 Taxes Other Than Income	12,538	N	(1,700)	10,838		10,838
408.2 Franchise Taxes	5,590	I	112	5,702	L 1,774	7,476
409 Income Taxes	-			-		-
Total Operating Expenses	\$ 293,735		\$ 19,409	\$ 313,144	\$ 1,774	\$ 314,918
OPERATING INCOME/(LOSS)	\$ 19,804		\$ (47,832)	\$ (28,028)	(c) \$ 86,927	\$ 58,899
Other Income/(Expense):						
419 Interest and Dividend Income	\$ 106			\$ 106		\$ 106
419.1 Rental Income	11,450			11,450		11,450
421 Non-Utility Income	34,837	J	(34,837)	-		-
426 Miscellaneous Non-Utility Expenses	-			-		-
427 Interest Expense	(13,507)			(13,507)		(13,507)
Total Other Income/(Expense)	\$ 32,886		\$ (34,837)	\$ (1,951)	\$ -	\$ (1,951)
NET INCOME/(LOSS)	\$ 52,690		\$ (82,669)	\$ (29,979)	\$ 86,927	\$ 56,948

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2 (b) C-2

Recap Schedules:
(c) A-1

Rebuttal Schedule: C-2
Title: Income Statement Proforma Adjustments

Schedule itemizing pro forma adjustments to the test year income statement.

×					
---	--	--	--	--	--

Required for: All Utilities

Class D

Special Reqmt

Description	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Total (a) Adjustments
<i>Revenues:</i>																	
Metered Water Revenue	\$ (6.613)										\$ 88,701						\$ 82,089 (21,810)
Surcharge Revenue		(21,810)															
<i>Expenses:</i>																	
Purchased Power																	
Repairs & Maintenance			3,863													(1,000)	\$ (1,000) \$ 3,863
Office Supplies and Expense				250													250
Water Testing													2,973				2,973
Insurance - General Liability														(10,273)			(10,273)
Regulatory Commission Expense					(5,350)												(5,350)
Rate Case Expense						6,667											6,667
Miscellaneous Expense							9,109										9,109
Depreciation & Amortization								14,602									14,602
Property Taxes															156		156
Taxes Other Than Income														(1,700)			(1,700)
Franchise Taxes									112				1,774				1,886
<i>Other Income/(Expense):</i>																	
Non-Utility Income										(34,837)							(34,837)

A - Decrease Metered Water Revenue to adjust for net of under billing to fire department, Tier 3 programming error, and revenue annualization as per Schedule C-2a.
B - Decrease Surcharge revenue to remove partial amount from test year. Surcharge is temporary, and sufficient revenue to meet adjusted expense is built into base rates.
C - Increase Repairs and Maintenance for amounts incorrectly capitalized for repairs, and reduce by \$3,000 per Staff adjustment to amortize well cleaning.

D - Increase Office Supplies and Expense by \$250 for bank charges reclassified from Regulatory Commission Expense.

E - Reduce Regulatory Commission Expense by \$5,100 to reclassify CD to Balance Sheet and \$250 to Office Supplies and Expense for bank charges.

F - Increase Rate Case Expense to include \$20,000 in estimated expenses for proceeding amortized over three years

G - Increase Miscellaneous Expense to include annualized amount for WIEA service fees paid monthly

H - Increase depreciation expense to reflect Staff proposed amount

1 - Increase Franchise Taxes to reflect an average level of 2% of adjusted tax year revenue per Schedule C 7f

1 - Remove non-executive prior period adjustment

J - Remove non-recurring prior period adjustment.

N = Increase Revenue per calculations on Schedule A-1, as adjusted by revenue annualization on Sched-

L - Increase Franchise Taxes to reflect an expense level of 2% of prop-

M - Increase water testing expense to reflect Staff proposed amount.

N - Decrease Insurance - General Liability, and Taxes Other Than Income as detailed on Schedule C-2b.

O - Increase Property Tax Expense per detail of actual test year expenses depicted on Schedule C-2c.

P - Decrease Purchased Power per Schedule C-2d due to revenue annualization of gallons sold/pumped.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:

Recap Schedules: (a) C-1

METERED WATER REVENUE ANNUALIZATION - PRESENT RATES

Month/ Year	Test Year Actual Customers	Customer Count May 2010	Change in Customer Count	Monthly Avg Revenue - Present Rates	Revenue Annualization at Current Rates	Present Average Usage (in Gallons)	Additional Production Required (Gallons)
<i>5/8 x 3/4-Inch Meter</i>							
Jul-08	726	687	(39)	32.72	\$ (1,276.13)	4,693	(183,042)
Aug-08	724	687	(37)	29.84	(1,103.99)	3,813	(141,078)
Sep-08	725	687	(38)	30.70	(1,166.58)	4,041	(153,570)
Oct-08	711	687	(24)	31.97	(767.38)	4,458	(106,981)
Nov-08	712	687	(25)	27.75	(693.64)	3,139	(78,472)
Dec-08	716	687	(29)	26.80	(777.18)	2,878	(83,463)
Jan-09	714	687	(27)	29.99	(809.71)	3,782	(102,122)
Feb-09	719	687	(32)	24.54	(785.35)	2,093	(66,983)
Mar-09	719	687	(32)	26.71	(854.68)	2,842	(90,951)
Apr-09	713	687	(26)	30.03	(780.90)	3,911	(101,674)
May-09	720	687	(33)	33.39	(1,101.73)	4,882	(161,096)
Jun-09	711	687	(24)	30.97	(743.31)	4,165	(99,955)
Totals	8,610	8,244	(366)		\$ (10,860.58)		(1,369,387)
<i>2-Inch Meter</i>							
Jul-08	1	2	1	\$ 152.00	\$ 152.00	-	-
Aug-08	1	2	1	152.00	152.00	-	-
Sep-08	1	2	1	182.72	182.72	9,600	9,600
Oct-08	1	2	1	168.96	168.96	5,300	5,300
Nov-08	1	2	1	165.12	165.12	4,100	4,100
Dec-08	1	2	1	164.80	164.80	4,000	4,000
Jan-09	1	2	1	171.20	171.20	6,000	6,000
Feb-09	1	2	1	162.24	162.24	3,200	3,200
Mar-09	1	2	1	164.80	164.80	4,000	4,000
Apr-09	2	2	-	161.76	-	3,050	-
May-09	2	2	-	176.21	-	7,565	-
Jun-09	2	2	-	249.76	-	30,550	-
Totals	15	24	9		\$ 1,483.84		36,200
Total Revenue Annualization Adjustments					\$ (9,377)		
Original Revenue Adjustment for Tier 3 Programming Error					\$ 2,764		
Total Adjustment A to Test Year Metered Water Revenue					<u>\$ (6,613)</u>		

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-2b

Workers Compensation Insurance Adjustments

Staff adjustment to Insurance - General Liability	\$	(13,518)
---------------------------------------------------	----	----------

Company adjustment to Insurance - General Liability		3,245
-----------------------------------------------------	--	-------

Net Adjustment N to Insurance - General Liability	\$	<u>(10,273)</u>
---------------------------------------------------	----	-----------------

Adjustment N to Taxes Other Than Income	\$	<u>(1,700)</u>
-----------------------------------------	----	----------------

Adjustment N recognizes Staff's adjustment to Insurance - General Liability, removes workers compensation insurance accruals from Taxes Other Than Income, and replaces actual Test Year workers compensation expenses removed from Insurance - General Liability by Staff.

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-2c

Detail of Actual Test Year Property Tax Expense

Parcel 91741110	\$	14,636
Parcel 31918390		1,271
Parcel 91740400		23
Parcel 31918391		<u>1,245</u>
Actual Test Year Property Taxes	\$	17,175
Unadjusted Property Taxes Per Application		<u>17,019</u>
Adjustment O to Increase Property Tax Expense	\$	<u><u>156</u></u>

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-2d

Detail of Adjustment to Purchased Power for Revenue Annualization

Test Year Gallons Pumped		49,238,194
Test Year Purchased Power Expense	\$	36,926
Pumping Cost per Gallon	\$	0.000750
Net Reduction in Gallons due to Revenue Annualizations Per Schedule C-2a		(1,333,187)
Pumping Cost per Gallon	\$	0.000750
Adjustment P to Decrease Purchased Power Expense		<u><u>(1,000)</u></u>

METERED WATER REVENUE ANNUALIZATION - PROPOSED RATES

Month/ Year	Test Year Actual Customers	Customer Count May 2010	Change in Customer Count	Monthly Avg Revenue - Proposed Rates	Revenue Annualization at Proposed Rates	Present Average Usage (in Gallons)	Additional Production Required (Gallons)
<i>5/8 x 3/4-Inch Meter</i>							
Jul-08	726	687	(39)	\$ 42.98	\$ (1,676.20)	4,693	(183,042)
Aug-08	724	687	(37)	39.19	(1,450.10)	3,813	(141,078)
Sep-08	725	687	(38)	40.32	(1,532.30)	4,041	(153,570)
Oct-08	711	687	(24)	42.00	(1,007.95)	4,458	(106,981)
Nov-08	712	687	(25)	36.44	(911.10)	3,139	(78,472)
Dec-08	716	687	(29)	35.20	(1,020.82)	2,878	(83,463)
Jan-09	714	687	(27)	39.39	(1,063.55)	3,782	(102,122)
Feb-09	719	687	(32)	32.24	(1,031.56)	2,093	(66,983)
Mar-09	719	687	(32)	35.08	(1,122.62)	2,842	(90,951)
Apr-09	713	687	(26)	39.45	(1,025.71)	3,911	(101,674)
May-09	720	687	(33)	43.85	(1,447.13)	4,882	(161,096)
Jun-09	711	687	(24)	40.68	(976.34)	4,165	(99,955)
Totals	8,610	8,244	(366)		\$ (14,265.37)		(1,369,387)
<i>2-Inch Meter</i>							
Jul-08	1	2	1	\$ 189.39	\$ 189.39	-	-
Aug-08	1	2	1	189.39	189.39	-	-
Sep-08	1	2	1	227.67	227.67	9,600	9,600
Oct-08	1	2	1	210.52	210.52	5,300	5,300
Nov-08	1	2	1	205.74	205.74	4,100	4,100
Dec-08	1	2	1	205.34	205.34	4,000	4,000
Jan-09	1	2	1	213.32	213.32	6,000	6,000
Feb-09	1	2	1	202.15	202.15	3,200	3,200
Mar-09	1	2	1	205.34	205.34	4,000	4,000
Apr-09	2	2	-	201.55	-	3,050	-
May-09	2	2	-	219.56	-	7,565	-
Jun-09	2	2	-	311.20	-	30,550	-
Totals	15	24	9		\$ 1,848.86		36,200
Total Revenue Annualization Adjustments to Metered Water Revenue Included in Adjustment K					\$ (12,417)		

Detail of Adjustments to Test Year and Proposed Franchise Taxes

Test Year

Adjusted Test Year Revenue	\$	285,116
Mohave County Franchise Tax Rate		<u>2.00%</u>
Adjusted Test Year Franchise Tax Expense	\$	5,702
Actual Test Year Franchise Tax Expense		<u>5,590</u>
Adjustment I to Increase Test Year Franchise Tax Expense	\$	<u><u>112</u></u>

Proposed Rates

Proposed Revenue	\$	373,817
Mohave County Franchise Tax Rate		<u>2.00%</u>
Proposed Franchise Tax Expense	\$	7,476
Adjusted Test Year Franchise Tax Expense		<u>5,702</u>
Adjustment L to Increase Franchise Tax Expense at Proposed Rates	\$	<u><u>1,774</u></u>

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
Schedule showing incremental taxes on gross revenues and
the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Calculation
Revenue	100.0000%
Less: County Franchise Tax @ 2.00%	-2.0000%
Operating Income	<hr/> 98.0000%
Gross Revenue Conversion Factor = 1/Operating Income %	1.0204

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:
(a) A-1

Mount Tipton Water Company, Inc.

Test Year Ended June 30, 2009

Rebuttal Schedule: D-1

Title: Summary Cost of Capital

Explanation:

Schedule showing elements of capital structure
and the related cost.

Required for All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)								
USDA RD 91-03	\$ 58,993	7.59%	4.5000%	0.3415%	\$ 58,993	7.59%	4.5000%	0.3415%
USDA RD 91-05	67,159	8.64%	4.5000%	0.3888%	67,159	8.64%	4.5000%	0.3888%
WIFA Loan	651,235	83.77%	4.7250%	3.9582%	651,235	83.77%	4.7250%	3.9582%
Short-Term Debt (a)	-				-			0.00%
Common Equity (c)	(362,421)	0.00%	10.00%	0.00%	(362,421)	0.00%	10.00%	0.00%
Total†	\$ 777,387	100.00%		4.6885%	\$ (362,421)	100.00%		4.6885%

†Note: Negative equity is assumed to be zero for these calculations.

Supporting Schedules:

(a) D-2

(b) D-3

(c) D-4

(d) E-1

Recap Schedules:

(e) A-3

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-1
Title: Comparative Balance
Sheet

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec. Reqmt	<input type="checkbox"/>

Explanation:
Schedule showing comparative balance sheets at the end of the
test year and the 2 fiscal years ended prior to the test year.

	Test Year At 30-Jun-09	Prior Year 31-Dec-08	Prior Year 31-Dec-07
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 1,916,740	\$ 1,888,450	\$ 1,860,115
105 Construction Work in Process	-	-	-
108 Accumulated Depreciation	(1,212,674)	(1,156,397)	(1,127,975)
121 Non-Utility Property			
Total Property Plant & Equipment	\$ 704,067	\$ 732,054	\$ 732,140
Current Assts:			
131 Cash	\$ 18,422	\$ 14,067	\$ 11,984
135 Temporary Cash Investments	5,100		
141 Customer Accounts Receivable	30,081	18,067	20,136
146 Notes/Receivables from Associated Companies			
151 Plant Material and Supplies			
162 Prepayments	67,434	66,242	77,869
174 Miscellaneous Current and Accrued Assets			
Total Current Assets	\$ 121,037	\$ 98,376	\$ 109,989
TOTAL ASSETS	\$ 825,104	\$ 830,430	\$ 842,129
LIABILITIES and CAPITAL			
Capitalization: (b)			
201 Common Stock Issued			
211 Paid in Capital in Excess of Par Value			
215 Retained Earnings	(362,421)	(256,963)	(302,999)
Total Capital	\$ (362,421)	\$ (256,963)	\$ (302,999)
Current Liabilities:			
231 Accounts Payable	\$ 91,178	\$ 89,609	\$ 73,889
232 Notes Payable (Current Portion)			
234 Notes/Accounts Payable to Associated Companies			
235 Customer Deposits	14,940	16,241	44,744
236 Accrued Taxes	88,324	75,816	55,784
241 Miscellaneous Current and Accrued Liabilities	3,590	11,783	8,800
Total Current Liabilities	\$ 198,032	\$ 193,449	\$ 183,217
224 Long-Term Debt (Over 12 Months)	\$ 777,387	\$ 787,330	\$ 836,603
Deferred Credits:			
251 Unamortized Premium on Debt	\$ -	\$ -	\$ -
252 Advances In Aid Of Construction	144,604	32,403	37,678
271 Contributions In Aid Of Construction	347,002	347,002	347,002
272 Less: Amortization of Contributions	(279,500)	(272,791)	(259,372)
281 Accumulated Deferred Income Tax			
Total Deferred Credits	\$ 212,106	\$ 106,614	\$ 125,308
Total Liabilities	\$ 1,187,525	\$ 1,087,393	\$ 1,145,128
TOTAL LIABILITIES and CAPITAL	\$ 825,104	\$ 830,430	\$ 842,129

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-2
Title: Comparative Income
Statements

Explanation:
Schedule showing comparative income statements for the test
year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Revenues: (a)			
460 Unmetered Water Revenue	\$ 100	\$ 10,555	\$ 1,673
461 Metered Water Revenue	284,304	264,334	283,317
474 Other Water Revenue	29,134	11,043	14,502
Total Revenues	\$ 313,538	\$ 285,932	\$ 299,492
Operating Expenses (a)			
601 Salaries & Wages	\$ 93,529	\$ 85,669	\$ 75,694
610 Purchased Water	4,109		
615 Purchased Power	36,926	35,581	35,535
618 Chemicals	-		
620 Repairs & Maintenance	7,501	12,647	13,861
621 Office Supplies and Expense	14,126	19,907	12,115
630 Outside Services	7,155	13,972	27,734
635 Water Testing	3,716	3,833	2,669
641 Rental Expense	6,582		
650 Transportation Expense	9,746	11,426	9,469
657 Insurance - General Liability	22,503	24,682	23,159
659 Insurance - Health and Life	-		
665 Regulatory Commission Expense	5,350		
666 Rate Case Expense	-		2,537
675 Miscellaneous Expense	12,252	29,632	
403 Depreciation & Amortization	35,093	57,867	81,240
408 Property Taxes	17,019	14,769	20,582
408.1 Taxes Other Than Income	12,538	18,597	21,290
408.2 Franchise Taxes	5,590		
409 Income Taxes	-		
Total Operating Expenses	\$ 293,735	\$ 328,582	\$ 325,885
OPERATING INCOME/(LOSS)	\$ 19,803	\$ (42,650)	\$ (26,393)
Other Income/(Expense)			
419 Interest and Dividend Income	\$ 106	\$ 166	\$ 218
419.1 Rental Income	11,450	15,199	11,350
421 Non-Utility Income	34,837		
426 Miscellaneous Non-Utility Expenses	-	34,837	(7,906)
427 Interest Expense	(13,507)	(18,001)	(19,738)
Total Other Income/(Expense)	\$ 32,886	\$ 32,201	\$ (16,076)
NET INCOME/(LOSS)	\$ 52,689	\$ (10,449)	\$ (42,469)

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-5
Title: Detail of Utility Plant

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Account Number	Description	End of Prior Year at 30-Jun-08	Net Additions	End of Test Year at 30-Jun-09
301	Organization	\$ 17,450		\$ 17,450
302	Franchises	500		500
303	Land & Land Rights	9,842		9,842
304	Structures & Improvements	55,389		55,389
307	Wells & Springs	458,530	1,424	459,954
311	Pumping Equipment	58,004	16,804	74,808
320	Water Treatment Equipment	-		-
320.1	Water Treatment Plant	-		-
320.2	Solution Chemical Feeders	53,075		53,075
330	Distr Res/Standpipes	-		-
330.1	Storage Tanks	223,341		223,341
330.2	Pressure Tanks	-		-
331	T&D Mains	787,400	7,917	795,317
333	Services	67,193		67,193
334	Meters & Meter Installations	87,562	1,875	89,438
335	Hydrants	1,230		1,230
339	Other Plant and Misc Equipment	998		998
340	Office Furniture & Equipment	18,096	400	18,496
340.1	Computers	4,921	765	5,686
341	Transportation Equipment	31,671	2,000	33,671
343	Tools, Shop, and Garage Equipment	3,409	(2,895)	514
345	Power Operated Equipment	167		167
347	Miscellaneous Equipment	8,464		8,464
348	Other Tangible Plant	1,208		1,208
Total Plant In Service		\$ 1,888,450	\$ 28,290	\$ 1,916,740
Accumulated Depreciation		1,156,397	56,277	1,212,674
Net Plant In Service		\$ 732,053	\$ (27,987)	\$ 704,066
Construction Work in Process		-	-	-
Total Net Plant		\$ 732,053	\$ (27,987)	\$ 704,066

Supporting Schedules:

Recap Schedules:
E-1 A-4

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-7
Title: Operating Statistics

Explanation:

Schedule showing key operating statistics in comparative format,
for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Water Statistics:	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Gallons Sold - By Class of Service:			
Residential	28,849,830	33,330,815	33,051,134
Commercial	4,244,625	4,903,905	4,862,756
Service:			
Residential	680	704	698
Commercial	42	40	50
Average Annual Gallons Per Residential Customer	42,426	47,345	47,351
Average Annual Revenue Per Residential Customer \$	320.58	\$ 342.19	\$ 228.00
Pumping Cost Per 1,000 Gallons	\$ 1.1158	\$ 0.9306	\$ 0.9373

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-8
Title: Taxes Charged to
Operations

Explanation:
Schedule showing all significant taxes charged to operations for
the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Description	Test Year Ended 30-Jun-09	Prior Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07
Federal Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	11,107	9,939	8,861
Total Federal Taxes	\$ 11,107	\$ 9,939	\$ 8,861
State Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	3,402	2,835	2,520
Total State Taxes	\$ 3,402	\$ 2,835	\$ 2,520
Local Taxes:			
Property	\$ 17,019	\$ 14,769	\$ 20,582
Franchise	5,590	5,719	5,990
Total Local Taxes	\$ 22,609	\$ 20,488	\$ 26,572
Total Taxes	\$ 37,118	\$ 33,261	\$ 37,952

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for: All Utilities	<input checked="checked" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specf Reqmt	<input type="checkbox"/>

Disclosures should include, but not be limited to the following:

1 Accounting Method.

The books of Mount Tipton are kept as accrual based, and also follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.

For years up to and including the test year ended 06/30/09, depreciation rates as authorized in Decision 67162 were used for all plant asset categories. Proposed depreciation rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.

3 Income tax treatment - normalization or flow through.

Since Mount Tipton is structured as a not-for-profit corporation, income taxes are not included as part of the application.

4 Interest rate used to charge interest during construction, if applicable.

Not Applicable.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: F-1
Title: Projected Income Statements
Present and Proposed Rates

Explanation:
Schedule showing an income statement for the projected year,
compared with actual test year results, at present and proposed
rates.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	<u>Projected Year</u>		
	<u>Actual</u>	<u>At Present</u>	<u>At Proposed</u>
	<u>Test Year</u>	<u>Rates</u>	<u>Rates</u>
	<u>Ended (a)</u>	<u>Year Ended (b)</u>	<u>Year Ended (b)</u>
	<u>31-Dec-08</u>	<u>31-Dec-09</u>	<u>31-Dec-09</u>
Operating Revenues:			
460 Unmetered Water Revenue	\$ 100	\$ 100	\$ 100
461 Metered Water Revenue	284,304	277,692	366,393
474 Other Water Revenue	29,134	7,324	7,324
Total Operating Revenue	\$ 313,538	\$ 285,116	\$ 373,817
Operating Expenses:			
601 Salaries & Wages	\$ 93,529	\$ 93,529	\$ 93,529
610 Purchased Water	4,109	4,109	4,109
615 Purchased Power	36,926	35,926	35,926
618 Chemicals	-	-	-
620 Repairs & Maintenance	7,501	11,364	11,364
621 Office Supplies and Expense	14,126	14,376	14,376
630 Outside Services	7,155	7,155	7,155
635 Water Testing	3,716	6,689	6,689
641 Rental Expense	6,582	6,582	6,582
650 Transportation Expense	9,746	9,746	9,746
657 Insurance - General Liability	22,503	12,230	12,230
659 Insurance - Health and Life	-	-	-
665 Regulatory Commission Expense	5,350	-	-
666 Rate Case Expense	-	6,667	6,667
675 Miscellaneous Expense	12,252	21,361	21,361
403 Depreciation & Amortization	35,093	49,695	49,695
408 Property Taxes	17,019	17,175	17,175
408.1 Taxes Other Than Income	12,538	10,838	10,838
408.2 Franchise Taxes	5,590	5,702	7,476
409 Income Taxes	-	-	-
Total Operating Expenses	\$ 293,735	\$ 313,144	\$ 314,918
OPERATING INCOME/(LOSS)	\$ 19,803	\$ (28,029)	\$ 58,898
Other Income/(Expense):			
419 Interest Income	\$ 106	\$ 106	\$ 106
419.1 Rental Income	11,450	11,450	11,450
421 Non-Utility Income	34,837	-	-
426 Miscellaneous Non-Utility Expenses	-	-	-
427 Interest Expense	(13,507)	(13,507)	(13,507)
Total Other Income/(Expense)	\$ 32,886	\$ (1,951)	\$ (1,951)
NET INCOME/(LOSS)	\$ 52,689	\$ (29,980)	\$ 56,947
Earnings per share of average Common Stock Outstanding	N/A	N/A	N/A
% Return on Common Equity	N/A	N/A	N/A

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: F-3
Title: Projected Construction
Requirements

Explanation:

Schedule showing projected annual construction requirements, by
property classification, for 1 to 3 years subsequent to the test year
compared with the test year.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Property Classification	Actual	Projected
	Test Year Ended 6/30/2009	Year Ended 6/30/2010
Production Plant	\$ 18,228	\$ 140,000
Transmission Plant	7,917	
Other Plant	5,040	
Total Plant	\$ 31,185	\$ 140,000

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
(a) F-2 & A-4

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: F-4
Title: Assumptions Used in
Developing Projections

Explanation:

Documentation of important assumptions used in preparing forecasts and projections

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

The company has experienced customer decline in the past few years, and does not anticipate that will change.

2 Growth in consumption and customer demand

Customer count, demand, and consumption has actually been decreasing.

3 Changes in expenses

The company believes the test year, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.

4 Construction requirements including production reserves and changes in plant capacity

Mount Tipton is currently cleaning and putting new pumps into many of the wells, and may possibly drill a new well. They are also putting in a large amount of new meters, which has been an ongoing project.

5 Capital structure changes

No changes to the capital structure are anticipated.

6 Financing costs, interest rates

Currently, the Company has three loans as depicted on Schedule D-1, that totaled \$777,387 at the end of the test year. Two of the loans are with USRDA for system improvements, both having interest rates of 4.5%, and one is from WIFA to purchase Dolan Springs Water Company in 2001, and make improvements. The interest on that loan is 4.725%.

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-1
Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates

Explanation:
Schedule comparing revenues by customer classification for the Test Year, at present and proposed rates.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential				
5/8 x 3/4 inch	\$ 235,773	\$ 309,891	74,118	31.4%
Commercial				
5/8 x 3/4 inch	19,253	27,477	8,224	42.7%
1 inch	570	1,221	652	114.5%
1.5 inch	3,169	5,136	1,967	62.1%
2 inch	2,659	3,318	658	24.8%
4 inch	6,231	7,627	1,395	22.4%
Total Revenue Prior to Annualization	\$ 267,655	\$ 354,670	\$ 87,014	32.5%
5/8 x 3/4-inch Revenue Annualization	\$ (10,861)	\$ (14,265)	\$ (3,405)	31.4%
2-inch Revenue Annualization	1,484	1,849	365	24.6%
Total Revenue After Annualization	\$ 258,278	\$ 342,251	\$ 83,974	32.5%
Emergency Surcharge	\$ 21,810	-	(21,810)	-100.0%
Coin Operated	\$ 16,650	24,142	7,492	45.0%
Total Metered Water Revenues	\$ 296,738	\$ 366,393	\$ 69,657	23.5%
Other Revenues	\$ 7,424	7,424	-	0.0%
Total Revenues	\$ 304,162	\$ 373,817	\$ 69,657	22.9%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 1 of 2

Explanation:
Schedule comparing present rate schedules with proposed
rate schedule.

(Note: Rates apply to both residential and commercial usage)

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE			
5/8" x 3/4" Meter	\$ 19.00	\$ 22.60	18.9%
3/4" Meter	28.50	33.90	18.9%
1" Meter	47.50	56.50	18.9%
1-1/2" Meter	95.00	112.99	18.9%
2" Meter	152.00	180.79	18.9%
3" Meter	285.00	361.57	26.9%
4" Meter	475.00	564.96	18.9%
6" Meter	950.00	1,129.92	18.9%
8" Meter	1,425.00	1,694.88	18.9%

Commodity Charges Per 1,000 Gallons:

Company Recommended Commodity Rates for All Meter Sizes

Tier one: 0 - 4,000 Gallons	\$ 3.60
Tier two: 4,001 to 9,000 Gallons	5.00
Tier three: All Gallons Over 9,000	6.45

5/8 x 3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45
Tier two: 4,001 to 9,000 Gallons	3.20
Tier three: All Gallons Over 9,000	4.20

3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45
Tier two: 4,001 to 15,000 Gallons	3.20
Tier three: All Gallons Over 15,000	4.20

One - inch meter

Tier one: 0 - 25,000 Gallons	\$ 3.20
Tier two: All Gallons Over 25,000	4.20

One and one half - inch meter

Tier one: 0 - 50,000 Gallons	\$ 3.20
Tier two: All Gallons Over 50,000	4.20

Two - inch meter

Tier one: 0 - 125,000 Gallons	\$ 3.20
Tier two: All Gallons Over 125,000	4.20

Three - inch meter

Tier one: 0 - 250,000 Gallons	\$ 3.20
Tier two: All Gallons Over 250,000	4.20

Four - inch meter

Tier one: 0 - 400,000 Gallons	\$ 3.20
Tier two: All Gallons Over 400,000	4.20

Six - inch meter

Tier one: 0 - 825,000 Gallons	\$ 3.20
Tier two: All Gallons Over 825,000	4.20

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 2 of 2

Eight - inch meter

Tier one: 0 - 1,250,000 Gallons	\$	3.20
Tier two: All Gallons Over 1,250,000		4.20

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	\$ 25.00	\$ 30.00	20.0%
Establishment (After Hours)	40.00	40.00	0.0%
Reconnection (Delinquent)	40.00	40.00	0.0%
Reconnection (After Hours)	40.00	40.00	0.0%
Meter Test (If Correct)	40.00	40.00	0.0%
Meter Reread (If Correct)	10.00	15.00	50.0%
NSF Check Charge	15.00	25.00	66.7%
Deposit	*	*	
Deposit Interest (Per Annum)	*	*	
Deferred Payment (Per Month)	**	**	
Late Charge (Per Month)	**	**	
Re-establishment (Within 12 Months)	***	***	
Main Extension	N/A	Cost	
Bulk Sales per 1,000 Gallons ≈	\$ 4.20	\$ 6.45	53.6%
Vending rate for 58 gallons	0.25		
Vending rate for 40 gallons		0.25	45.0%
MONTHLY SERVICE CHARGE			
FOR FIRE SPRINKLER:	N/A	****	

SERVICE LINE AND METER INSTALLATION CHARGES
Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates			% change
		Service Line	Meter Charge	Total Charge	
5/8" x 3/4" Meter	\$ 438.00	\$ 445.00	\$ 155.00	\$ 600.00	37.0%
3/4" Meter	462.00	445.00	255.00	700.00	51.5%
1" Meter	562.00	495.00	315.00	810.00	44.1%
1-1/2" Meter	838.00	550.00	525.00	1,075.00	28.3%
2" Meter - Turbine	N/A	830.00	1,045.00	1,875.00	100.0%
2" Meter - Compound	1,094.00	830.00	1,890.00	2,720.00	148.6%
3" Meter - Turbine	N/A	1,045.00	1,670.00	2,715.00	100.0%
3" Meter - Compound	1,281.00	1,165.00	2,545.00	3,710.00	189.6%
4" Meter - Turbine	N/A	1,490.00	2,670.00	4,160.00	100.0%
4" Meter - Compound	3,375.00	1,670.00	3,645.00	5,315.00	57.5%
6" Meter - Turbine	N/A	2,210.00	5,025.00	7,235.00	100.0%
6" Meter - Compound	4,781.00	2,330.00	6,920.00	9,250.00	93.5%
8" Meter - Turbine	N/A	3,000.00	7,500.00	10,500.00	100.0%
8" Meter - Compound	5,000.00	3,200.00	8,000.00	11,200.00	124.0%

- * Per Commission Rule AAC R-14-2-403(B).
- ** 1.50% of unpaid monthly balance.
- *** Month off system times the monthly minimum per Commission rule AAC R14-2-403(D).
- **** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-4
Title: Typical Bill
Analysis
Page 1 of 5

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
5/8" x 3/4" meter - residential and commercial	Spec'l Reqm't	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	19.00	\$ 22.60	18.94%
1,000	21.45	26.20	22.14%
2,000	23.90	29.80	24.68%
3,000	26.35	33.40	26.75%
4,000	28.80	37.00	28.47%
5,000	32.00	42.00	31.25%
6,000	35.20	47.00	33.52%
7,000	38.40	52.00	35.41%
8,000	41.60	57.00	37.02%
9,000	44.80	62.00	38.39%
10,000	49.00	68.45	39.69%
15,000	70.00	100.70	43.85%
20,000	91.00	132.95	46.10%
25,000	112.00	165.20	47.50%
50,000	217.00	326.45	50.44%
75,000	322.00	487.70	51.46%
100,000	427.00	648.95	51.98%
125,000	532.00	810.20	52.29%
150,000	637.00	971.45	52.50%
175,000	742.00	1,132.70	52.65%
200,000	847.00	1,293.95	52.77%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-4
Title: Typical Bill
Analysis
Page 2 of 5

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
1 inch meter - commercial	Spec'l Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	47.50	\$ 56.50	18.94%
1,000	50.70	60.10	18.53%
2,000	53.90	63.70	18.17%
3,000	57.10	67.30	17.86%
4,000	60.30	70.90	17.57%
5,000	63.50	75.90	19.52%
6,000	66.70	80.90	21.28%
7,000	69.90	85.90	22.88%
8,000	73.10	90.90	24.34%
9,000	76.30	95.90	25.68%
10,000	79.50	102.35	28.74%
15,000	95.50	134.60	40.94%
20,000	111.50	166.85	49.64%
25,000	127.50	199.10	56.15%
50,000	232.50	360.35	54.99%
75,000	337.50	521.60	54.55%
100,000	442.50	682.85	54.32%
125,000	547.50	844.10	54.17%
150,000	652.50	1,005.35	54.08%
175,000	757.50	1,166.60	54.01%
200,000	862.50	1,327.85	53.95%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-4
Title: Typical Bill
Analysis
Page 3 of 5

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 1.5 inch meter - commercial	Required for: All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	95.00	\$ 112.99	18.94%
1,000	98.20	116.59	18.73%
2,000	101.40	120.19	18.53%
3,000	104.60	123.79	18.35%
4,000	107.80	127.39	18.17%
5,000	111.00	132.39	19.27%
6,000	114.20	137.39	20.31%
7,000	117.40	142.39	21.29%
8,000	120.60	147.39	22.22%
9,000	123.80	152.39	23.10%
10,000	127.00	158.84	25.07%
15,000	143.00	191.09	33.63%
20,000	159.00	223.34	40.47%
25,000	175.00	255.59	46.05%
50,000	255.00	416.84	63.47%
75,000	340.00	578.09	70.03%
100,000	445.00	739.34	66.14%
125,000	550.00	900.59	63.74%
150,000	655.00	1,061.84	62.11%
175,000	760.00	1,223.09	60.93%
200,000	865.00	1,384.34	60.04%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-4
Title: Typical Bill
Analysis
Page 4 of 5

Explanation:
Schedule(s) comparing typical customer bills at varying
consumption levels at present and proposed rates.

2 inch meter - commercial

Required for: All Utilities

X

Class A
Class B
Class C
Class D
Spec'l Reqmt

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 152.00	\$ 180.79	18.94%
1,000	155.20	184.39	18.81%
2,000	158.40	187.99	18.68%
3,000	161.60	191.59	18.56%
4,000	164.80	195.19	18.44%
5,000	168.00	200.19	19.16%
6,000	171.20	205.19	19.85%
7,000	174.40	210.19	20.52%
8,000	177.60	215.19	21.16%
9,000	180.80	220.19	21.78%
10,000	184.00	226.64	23.17%
15,000	200.00	258.89	29.44%
20,000	216.00	291.14	34.79%
25,000	232.00	323.39	39.39%
50,000	312.00	484.64	55.33%
75,000	392.00	645.89	64.77%
100,000	472.00	807.14	71.00%
125,000	552.00	968.39	75.43%
150,000	657.00	1,129.64	71.94%
175,000	762.00	1,290.89	69.41%
200,000	867.00	1,452.14	67.49%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-4
Title: Typical Bill
Analysis
Page 5 of 5

Explanation:	Required for: All Utilities	<input checked="checked" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying	Class A	<input type="checkbox"/>
consumption levels at present and proposed rates.	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
4 inch meter - commercial	Spec Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	475.00	\$ 564.96	18.94%
1,000	478.20	568.56	18.90%
2,000	481.40	572.16	18.85%
3,000	484.60	575.76	18.81%
4,000	487.80	579.36	18.77%
5,000	491.00	584.36	19.01%
6,000	494.20	589.36	19.26%
7,000	497.40	594.36	19.49%
8,000	500.60	599.36	19.73%
9,000	503.80	604.36	19.96%
10,000	507.00	610.81	20.48%
15,000	523.00	643.06	22.96%
20,000	539.00	675.31	25.29%
25,000	555.00	707.56	27.49%
50,000	635.00	868.81	36.82%
75,000	715.00	1,030.06	44.06%
100,000	795.00	1,191.31	49.85%
125,000	875.00	1,352.56	54.58%
150,000	955.00	1,513.81	58.51%
175,000	1,035.00	1,675.06	61.84%
200,000	1,115.00	1,836.31	64.69%

Supporting Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-5

Title: Bill Count

Page 1 of 6

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - Residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	1,249	-	1,249	15.31%	-	0.00%
1 to 1,000	1,332	666,000	2,581	31.64%	666,000	2.30%
1,001 to 2,000	1,191	1,786,500	3,772	46.24%	2,452,500	8.47%
2,001 to 3,000	1,006	2,515,000	4,778	58.58%	4,967,500	17.15%
3,001 to 4,000	876	3,066,000	5,654	69.31%	8,033,500	27.73%
4,001 to 5,000	605	2,722,500	6,259	76.73%	10,756,000	37.13%
5,001 to 6,000	496	2,728,000	6,755	82.81%	13,484,000	46.55%
6,001 to 7,000	319	2,073,500	7,074	86.72%	15,557,500	53.70%
7,001 to 8,000	242	1,815,000	7,316	89.69%	17,372,500	59.97%
8,001 to 9,000	180	1,530,000	7,496	91.90%	18,902,500	65.25%
9,001 to 10,000	120	1,140,000	7,616	93.37%	20,042,500	69.18%
10,001 to 12,000	173	1,903,000	7,789	95.49%	21,945,500	75.75%
12,001 to 14,000	117	1,521,000	7,906	96.92%	23,466,500	81.00%
14,001 to 16,000	72	1,080,000	7,978	97.81%	24,546,500	84.73%
16,001 to 18,000	45	765,000	8,023	98.36%	25,311,500	87.37%
18,001 to 20,000	35	665,000	8,058	98.79%	25,976,500	89.67%
20,001 to 25,000	39	877,500	8,097	99.26%	26,854,000	92.70%
25,001 to 30,000	28	770,000	8,125	99.61%	27,624,000	95.35%
30,001 to 35,000	14	455,000	8,139	99.78%	28,079,000	96.93%
35,001 to 40,000	8	300,000	8,147	99.88%	28,379,000	97.96%
40,001 to 50,000	6	270,000	8,153	99.95%	28,649,000	98.89%
50,001 to 60,000	1	55,000	8,154	99.96%	28,704,000	99.08%
60,001 to 70,000	2	130,000	8,156	99.99%	28,834,000	99.53%
70,001 to 80,000		-	8,156	99.99%	28,834,000	99.53%
80,001 to 90,000		-	8,156	99.99%	28,834,000	99.53%
90,001 to 100,000		-	8,156	99.99%	28,834,000	99.53%
135,640	1	135,640	8,157	100.00%	28,969,640	100.00%
	8,157	28,969,640				

Average Number of Customers 680
Average Consumption 3,552
Median Consumption 2,305

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-5

Title: Bill Count

Page 2 of 6

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specil Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	8	-	8	1.77%	-	0.00%
1 to 1,000	143	71,500	151	33.33%	71,500	2.20%
1,001 to 2,000	81	121,500	232	51.21%	193,000	5.94%
2,001 to 3,000	49	122,500	281	62.03%	315,500	9.71%
3,001 to 4,000	20	70,000	301	66.45%	385,500	11.86%
4,001 to 5,000	12	54,000	313	69.09%	439,500	13.52%
5,001 to 6,000	12	66,000	325	71.74%	505,500	15.55%
6,001 to 7,000	13	84,500	338	74.61%	590,000	18.15%
7,001 to 8,000	6	45,000	344	75.94%	635,000	19.53%
8,001 to 9,000	10	85,000	354	78.15%	720,000	22.15%
9,001 to 10,000	9	85,500	363	80.13%	805,500	24.78%
10,001 to 12,000	10	110,000	373	82.34%	915,500	28.16%
12,001 to 14,000	7	91,000	380	83.89%	1,006,500	30.96%
14,001 to 16,000	14	210,000	394	86.98%	1,216,500	37.42%
16,001 to 18,000	7	119,000	401	88.52%	1,335,500	41.08%
18,001 to 20,000	7	133,000	408	90.07%	1,468,500	45.18%
20,001 to 25,000	10	225,000	418	92.27%	1,693,500	52.10%
25,001 to 30,000	12	330,000	430	94.92%	2,023,500	62.25%
30,001 to 35,000	10	325,000	440	97.13%	2,348,500	72.25%
35,001 to 40,000	1	37,500	441	97.35%	2,386,000	73.40%
40,001 to 50,000	4	180,000	445	98.23%	2,566,000	78.94%
50,001 to 60,000	3	165,000	448	98.90%	2,731,000	84.02%
60,001 to 70,000	2	130,000	450	99.34%	2,861,000	88.01%
70,001 to 80,000	1	75,000	451	99.56%	2,936,000	90.32%
80,001 to 90,000	-	-	451	99.56%	2,936,000	90.32%
90,001 to 100,000	1	95,000	452	99.78%	3,031,000	93.24%
219,600	1	219,600	453	100.00%	3,250,600	100.00%
	453	3,250,600				

Average Number of Customers 38
Average Consumption 7,176
Median Consumption 1,932

Supporting Schedules:

Recap Schedules:

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000	1	4,500	1	8.33%	4,500	3.83%
5,001 to 6,000		-	1	8.33%	4,500	3.83%
6,001 to 7,000		-	1	8.33%	4,500	3.83%
7,001 to 8,000	1	7,500	2	16.67%	12,000	10.21%
8,001 to 9,000	1	8,500	3	25.00%	20,500	17.45%
9,001 to 10,000	4	38,000	7	58.33%	58,500	49.79%
10,001 to 12,000	4	44,000	11	91.67%	102,500	87.23%
12,001 to 14,000		-	11	91.67%	102,500	87.23%
14,001 to 16,000	1	15,000	12	100.00%	117,500	100.00%
16,001 to 18,000		-	12	100.00%	117,500	100.00%
18,001 to 20,000		-	12	100.00%	117,500	100.00%
20,001 to 25,000		-	12	100.00%	117,500	100.00%
25,001 to 30,000		-	12	100.00%	117,500	100.00%
30,001 to 35,000		-	12	100.00%	117,500	100.00%
35,001 to 40,000		-	12	100.00%	117,500	100.00%
40,001 to 50,000		-	12	100.00%	117,500	100.00%
50,001 to 60,000		-	12	100.00%	117,500	100.00%
60,001 to 70,000		-	12	100.00%	117,500	100.00%
70,001 to 80,000		-	12	100.00%	117,500	100.00%
80,001 to 90,000		-	12	100.00%	117,500	100.00%
90,001 to 100,000		-	12	100.00%	117,500	100.00%
	12	117,500				

Average Number of Customers 1
Average Consumption 9,792
Median Consumption 9,750

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-5
Title: Bill Count
Page 4 of 6

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1.5 inch meter - Commercial

Required for: All Utilities

Class A
Class B
Class C
Class D
Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000		-	-	0.00%	-	0.00%
5,001 to 6,000		-	-	0.00%	-	0.00%
6,001 to 7,000		-	-	0.00%	-	0.00%
7,001 to 8,000		-	-	0.00%	-	0.00%
8,001 to 9,000		-	-	0.00%	-	0.00%
9,001 to 10,000		-	-	0.00%	-	0.00%
10,001 to 12,000		-	-	0.00%	-	0.00%
12,001 to 14,000		-	-	0.00%	-	0.00%
14,001 to 16,000		-	-	0.00%	-	0.00%
16,001 to 18,000		-	-	0.00%	-	0.00%
18,001 to 20,000		-	-	0.00%	-	0.00%
20,001 to 25,000	2	45,000	2	16.67%	45,000	7.25%
25,001 to 30,000	1	27,500	3	25.00%	72,500	11.68%
30,001 to 35,000		-	3	25.00%	72,500	11.68%
35,001 to 40,000	1	37,500	4	33.33%	110,000	17.72%
40,001 to 50,000	3	135,000	7	58.33%	245,000	39.47%
50,001 to 60,000	2	110,000	9	75.00%	355,000	57.19%
60,001 to 70,000		-	9	75.00%	355,000	57.19%
70,001 to 80,000	2	150,000	11	91.67%	505,000	81.36%
80,001 to 90,000		-	11	91.67%	505,000	81.36%
90,001 to 100,000		-	11	91.67%	505,000	81.36%
115,720	1	115,720	12	100.00%	620,720	100.00%
	12	620,720				

Average Number of Customers 1
Average Consumption 51,727
Median Consumption 40,667

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-5
Title: Bill Count
Page 5 of 6

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	3	-	3	20.00%	-	0.00%
1 to 1,000	1	500	4	26.67%	500	0.42%
1,001 to 2,000		-	4	26.67%	500	0.42%
2,001 to 3,000		-	4	26.67%	500	0.42%
3,001 to 4,000	3	10,500	7	46.67%	11,000	9.32%
4,001 to 5,000	1	4,500	8	53.33%	15,500	13.14%
5,001 to 6,000	3	16,500	11	73.33%	32,000	27.12%
6,001 to 7,000	1	6,500	12	80.00%	38,500	32.63%
7,001 to 8,000		-	12	80.00%	38,500	32.63%
8,001 to 9,000		-	12	80.00%	38,500	32.63%
9,001 to 10,000	1	9,500	13	86.67%	48,000	40.68%
10,001 to 12,000		-	13	86.67%	48,000	40.68%
12,001 to 14,000		-	13	86.67%	48,000	40.68%
14,001 to 16,000	1	15,000	14	93.33%	63,000	53.39%
16,001 to 18,000		-	14	93.33%	63,000	53.39%
18,001 to 20,000		-	14	93.33%	63,000	53.39%
20,001 to 25,000		-	14	93.33%	63,000	53.39%
25,001 to 30,000		-	14	93.33%	63,000	53.39%
30,001 to 35,000		-	14	93.33%	63,000	53.39%
35,001 to 40,000		-	14	93.33%	63,000	53.39%
40,001 to 50,000		-	14	93.33%	63,000	53.39%
50,001 to 60,000	1	55,000	15	100.00%	118,000	100.00%
60,001 to 70,000		-	15	100.00%	118,000	100.00%
70,001 to 80,000		-	15	100.00%	118,000	100.00%
80,001 to 90,000		-	15	100.00%	118,000	100.00%
90,001 to 100,000		-	15	100.00%	118,000	100.00%
	15	118,000				

Average Number of Customers 1
Average Consumption 7,867
Median Consumption 4,500

Supporting Schedules:

Recap Schedules:

Mount Tipton Water Company

Test Year Ended June 30, 2009

Rebuttal Schedule: H-5

Title: Bill Count

Page 6 of 6

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

4 inch meter - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specl Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-		-	-	0.00%	-	0.00%
1 to 1,000	1	500	1	8.33%	500	0.31%
1,001 to 2,000		-	1	8.33%	500	0.31%
2,001 to 3,000		-	1	8.33%	500	0.31%
3,001 to 4,000		-	1	8.33%	500	0.31%
4,001 to 5,000		-	1	8.33%	500	0.31%
5,001 to 6,000	1	5,500	2	16.67%	6,000	3.70%
6,001 to 7,000	1	6,500	3	25.00%	12,500	7.72%
7,001 to 8,000		-	3	25.00%	12,500	7.72%
8,001 to 9,000		-	3	25.00%	12,500	7.72%
9,001 to 10,000		-	3	25.00%	12,500	7.72%
10,001 to 12,000	2	22,000	5	41.67%	34,500	21.30%
12,001 to 14,000	1	13,000	6	50.00%	47,500	29.32%
14,001 to 16,000	2	30,000	8	66.67%	77,500	47.84%
16,001 to 18,000	1	17,000	9	75.00%	94,500	58.33%
18,001 to 20,000		-	9	75.00%	94,500	58.33%
20,001 to 25,000	3	67,500	12	100.00%	162,000	100.00%
25,001 to 30,000		-	12	100.00%	162,000	100.00%
30,001 to 35,000		-	12	100.00%	162,000	100.00%
35,001 to 40,000		-	12	100.00%	162,000	100.00%
40,001 to 50,000		-	12	100.00%	162,000	100.00%
50,001 to 60,000		-	12	100.00%	162,000	100.00%
60,001 to 70,000		-	12	100.00%	162,000	100.00%
70,001 to 80,000		-	12	100.00%	162,000	100.00%
80,001 to 90,000		-	12	100.00%	162,000	100.00%
90,001 to 100,000		-	12	100.00%	162,000	100.00%
115,720		-	12	100.00%	162,000	100.00%
	12	162,000				

Average Number of Customers	1
Average Consumption	13,500
Median Consumption	14,000

Supporting Schedules:

Recap Schedules:

ATTACHMENT 2

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**
3
4

5 **COMMISSIONERS**

6 KRISTIN K. MAYES, CHAIRMAN

7 GARY PIERCE

8 PAUL NEWMAN

9 SANDRA D. KENNEDY

10 BOB STUMP

11
12 **APPLICATION OF MOUNT TIPTON**
13 **WATER CO., INC. FOR AN INCREASE**
14 **IN ITS WATER RATES**
15

Docket No. W-02105A-09-0522

REBUTTAL TESTIMONY OF
MICHELLE MONZILLO

16
17 **Q-1 Please state your name and current employment position:**

18 **A-1** My name is Michelle Monzillo and I am currently the business manager for the
19 Mt. Tipton Water Company. I have held this position for approximately eight months.
20

21 **Q-2 What is the purpose of your testimony?**

22 **A-2** The purpose of my testimony is to address certain recommendations and
23 statements by the Arizona Corporation Commission ("Commission"). Specifically,
24 Commission Staff recommends that any rate increase resulting from this rate proceeding
25 not be come effective until the Company demonstrates that its water loss is less than 10%
26 and it is in full compliance with Decision Nos. 67162 and 70837. The Company
27 disagrees with this recommendation.
28

1 **Q-3 What would be the harm if the rate increase was postponed?**

2 **A-3** My understanding is that the Company's emergency rate surcharge now in place
3
4 will end when the Commission makes a decision in this matter. Leaving the Company
5 without this surcharge and no rate increase would leave the Company unable to pay its
6 bills and meet its debt service obligations.

7
8 **Q-4 Please comment on Staff's statement that the Company must demonstrate**
9 **that its water loss is less than 10%.**

10 **A-4** The Company has done so. In the first quarter of 2010, the Company's water loss
11 was 9.2%. See Exhibit 1. The Company has previously filed its quarterly water loss
12 report with the Commission.

13
14 The fact that the Company has achieved this goal is incredible. Unlike an urban
15 setting where water providers serve thousands of customers in a relatively small area, the
16 Company has a large and sparsely populated service area with miles of pipelines and a
17 small customer base. So even under ideal conditions, the goal of attaining 10% water
18 loss is extremely difficult to achieve. The problem is compounded because most of the
19 Company's underground system is old. Over 70 leaks have been addressed since L. Tim
20 Clark joined the Company. In the past, the Company also has had significant problems
21 with water theft and customer meters that were not working properly. The Company has
22 replaced over 200 meters over the past 14 months. Further, the local fire department
23 refuses to pay for or report water use. The Company is working to solve these problems
24 as well.
25
26
27
28

1 **Q-5 Please comment on Staff's statement that the Company has not complied**
2 **with Decision No. 70837 because it has not filed as a compliance item a water supply**
3 **shortage report.**

4
5 **A-5** The Company sent the Water Supply Shortage Plan Report to the Commission
6 Compliance Department on October 27, 2009 and had it filed in Docket No. W-02105A-
7 07-0510 on October 29, 2009, before the permanent rate case was filed. *See Exhibit 2.*
8
9 To ensure compliance, the Company will refile this report in this docket.

10 **Q-6 Please comment on Staff's statement that the Company has not complied with**
11 **Decision No. 70837 because it has not filed as a compliance item its hook-up fee**
12 **report.**

13
14 **A-6** The Company sent the Hook-Up Fee Report to the Commission Compliance
15 Department on October 27, 2009 and had it filed in Docket No. W-02105A-07-0510 on
16 November 2, 2009, before the permanent rate case was filed. *See Exhibit 3.* To ensure
17 compliance, the Company will refile this report in this docket.
18

19 **Q-7 Does this conclude your testimony?**

20
21 **A-7** Yes.
22
23
24
25
26
27
28

EXHIBIT 1

**Mt. Tipton Water Company Water Pumped and Sold
1st, 2nd, 3rd & 4th Quarters 2010**

Docket No. W-20105A-03-0303 and Decision No. 67162

Month	Gal. Sold	Gal. Pumped	Gal. Lost	% Mth Loss	% Qtrly Loss	#of Cust.
January	1,804,546	2,723,151	918,605	33.7%		696
February	2,612,992	2,414,135	-198,857	-8.2%		695
March	2,319,944	2,368,844	48,900	2.1%		690
1st Qrt					9.2%	

This quarter we had 3 line breaks, 25 blow offs and 14 over flows.

We installed 28 new meters. Negative water loss in Feb. due to billing cycle being longer than calendar month.

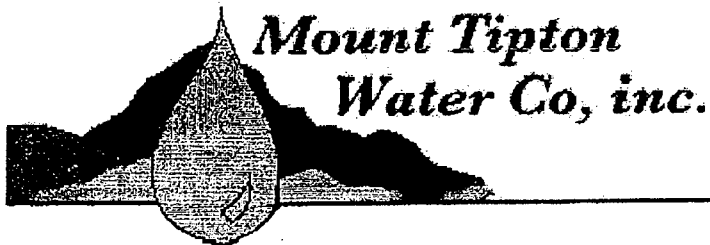
April	2,895,816	2,910,970	15,154	1.0%		695
May	2,389,520	3,052,155	662,635	21.7%		692
June						
2 nd Qrt						

We had an enormous line break in early May that was not discovered for at least half a day.

EXHIBIT 2

ORIGINAL

50



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

October 27th, 2009

Compliance Department
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: Water Supply Shortage Plan Report
W-02105A-07-0510 Decision 70837

Here is the water supply shortage analysis and plan required as part of Mt. Tipton Water Company's permanent ratemaking docket. We have been making good progress in reducing our water loss, which has been a significant part of previous water shortages, as noted in our last quarterly water report.

Please contact me if you have any questions, 928-767-3713.
Thank you.

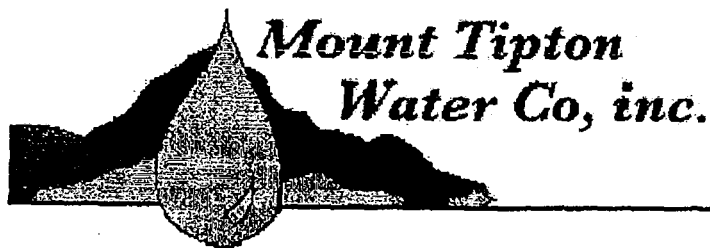
Michelle Monzillo
Michelle Monzillo
Business Administrator
Mt. Tipton Water Co.

Arizona Corporation Commission
DOCKETED

OCT 29 2009

DOCKETED BY	<i>mm</i>
-------------	-----------

RECEIVED
2009 OCT 29 A 10:45
ARIZONA CORPORATION
COMMISSION
BOARD CONTROL



P.O. Box 38
15998 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

Water Supply Shortage Analysis & Plan for Mt. Tipton Water Company

Mt. Tipton Water Company has had a history of inconsistent water delivery to the community of Dolan Springs, AZ. There are many reasons why there have been water shortages in the past; an aging system that the company has been unable to afford to maintain properly, and employees and board members who were either not dedicated or not knowledgeable enough to ensure an adequate water supply for the community.

The age of our system varies from over 40 years old to fairly recent, yet there has been minimal maintenance done except for taking care of emergencies such as line breaks. The financial state of the company has not allowed replacing pipe and other maintenance items that would minimize line breaks and leaks in the system. The company has been operating on a philosophy of "putting out fires." When a well stops working or a line breaks, we fix it as soon as we are able to afford to do so. A contributing problem has been that none of the well contractors wanted to work with us due to previously unpaid bills. Thanks to the emergency surcharge, we are paying off past due bills and restoring our reputation with the business community.

The wells have not been properly maintained due to financial problems, which have contributed to problems with being able to supply an adequate amount of water. Because the company has had such a limited budget, *none of the wells were ever cleaned until this year.* In the past, when a well has broken down, it was usually "fixed" by replacing the existing pump with a smaller pump that could pump the smaller amount of water being produced by a well with clogged perforations. The result has been dramatically reduced output of water over the years.

There are several contributing factors to our water loss. The road graders from the county gradually lower the level of the roads year by year bringing our pipes and valves closer and closer to the surface and thereby subject to damage. Also, past field employees had identified many leaks, yet had not fixed them due to a lack of money to hire a backhoe. Another factor is the

recent discovery that 2 line extensions had been connected bypassing the pressure relief valve for that area. This has caused several major line breaks because of very high water pressure. Some very old meters in our system have contributed to water loss as well since older meters often slow down and do not accurately account for customer water usage.

Mt. Tipton Water Company has done many things recently to reduce our water loss. Since our current Field Manager, Tim Clark, started working for the company, at least 50 leaks in the system have been repaired. The water loss for the last quarter was less than 4% for the first time in memory! Our current field staff are not afraid to get their hands dirty and most work is done by hand since we cannot afford to hire a backhoe unless absolutely necessary. We are actively replacing all of the aging meters in our system to reduce water loss due to inaccurate readings. This should raise our income as well by ensuring that customers are paying for all of the water they use. We need to install another pressure relief valve in the area where the bypass was discovered. This has been on hold due to the expense of such a major installation and the time of the field staff has been occupied maintaining the system and completing items to come into compliance with ADEQ. Nonetheless, we are planning on completing this before the end of the year to prevent additional line breaks in the affected area.

The water supply here has been stable for a record period of time. This summer was the first on record where there were no water restrictions for metered customers and the standpipe remained open. We would like to note that the company would not be where it is now if it was not for Field Manager, Tim Clark. Tim has been known to be out working and transferring water around the system at any hour of the day or night, including weekends. He is the reason why we have not had any water restrictions for over a year now. Tim is the kind of dedicated employee that has been lacking in the past history of the company. We are very happy with our current field staff and are confident in their ability to maintain our water supply.

The current board of directors is committed to cleaning the wells to increase our water supply. We have cleaned 2 wells this year and intend to clean at least 3 more in the near future thanks to the funding provided by ARRA (American Reinvestment & Recovery Act of 2009). The downside of cleaning wells, some of which are very old, is that there can be unexpected problems. Our contractor was starting to clean one of our older wells recently and part of the casing collapsed. The board is unsure if this well is worth trying to repair or if the best option may be to drill a brand new well, which would be covered under the ARRA loan/ grant. In the future, if a well breaks down, we will clean it before putting it back online if at all financially possible. Certainly in

the future the company needs at least one new well in order to ensure the water supply in case of unexpected well outages or an expanded customer base.

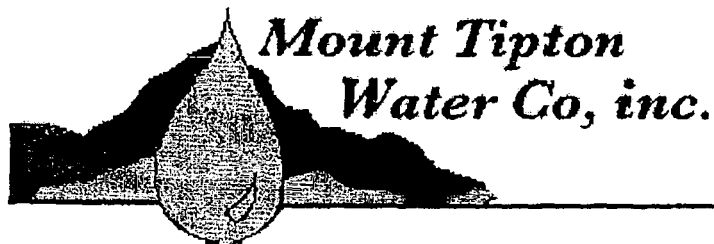
As a long-term plan, Mt. Tipton Water Company intends to move, redo, and/or bury our lines deeper to prevent line breaks due to road grading, traffic, and aging. We understand that this would be extremely expensive and may not be feasible in actuality with the cost of maintaining and repairing the wells to ensure the water supply. However, Mt. Tipton Water Company does believe that a permanent rate increase would provide us with the funds to do a lot more preventive maintenance and well cleaning in order to maintain a consistent water supply in the future. We are very proud of what we have accomplished in the last year and are looking forward to continued good service to the community of Dolan Springs.

Thank you for your help and support.

Mt. Tipton Water Company Board of Directors and Staff

EXHIBIT 3

ORIGINAL



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

Compliance Department
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

NOV - 2 2009

Re: Docket W-02105A-07-0510 Decision 70837
Final Hook-Up Fee Report, Calendar Year 2008

DOCKETED BY	<i>MW</i>
-------------	-----------

Here is the final consolidated hook-up fee report for 2008. Included are invoices and/or check stubs for all of the expenditures made with these funds for calendar year 2008. We understand that this is the final report due on this matter since we stopped charging these fees in November of 2008.

We would like to note that all of these funds were spent maintaining our system and allowing us to continue to deliver water to our customers. Without these funds, Mt. Tipton Water Company would have been unable to carry on. We understand that the company should have filed for a permanent rate increase years ago, but apparently the board of directors and staff were not consistent enough to make this happen in a timely manner. The current board of directors and staff has made great strides towards making this company accountable and consistent, and are absolutely committed to ensuring a good future for Mt. Tipton Water Company.

Any questions, please contact me anytime at 928-767-3713.

Thank you.

A handwritten signature in cursive script that reads "Michelle Monzillo".

Michelle Monzillo
Business Administrator

DOCKET CONTROL
NOV 2 2009

2009 NOV - 2 A 11:48

RECEIVED

Decision 60988 Annual Hook-Up Report 2008
Docket W-02105A-98-0067

	Acct	Debit	Credit	Balance
Opening Balance				\$59.35
1/1/2008 Cuautemoc Cervantes	1297 16886 Lakeside Dr.	3/4	\$800.00	\$859.35
1/1/2008 Cuautemoc Cervantes	1298 Iron Dr Lot 302	3/4	\$800.00	\$1,659.35
1/3/2008 Short Enterprises	Repair Well 982		\$1,000.00	\$659.35
1/31/2008 Hoffman Repair	Spring Well Hookup		\$500.00	\$159.35
Balance 1st Quarter		Total	\$1,600.00	\$159.35
			-\$1,600.00	
4/1/2008 Harold Adams	993 15697 Edgemont	3/4	\$800.00	\$959.35
5/1/2008 Ronald Lusty	1304 8523 W. 6th St.	3/4	\$800.00	\$1,759.35
5/1/2008 Hoffman Supply	Springwell Hookup Materials		\$1,500.00	\$259.35
5/8/2008 Short Enterprises	Well Repair #1		\$1,000.00	-\$740.65
6/1/2008 Emilio Liborio	1317 8081 W. 6th	3/4	\$800.00	\$59.35
6/1/2008 Mark Nicholas	1027 15549 N. Gila	3/4	\$800.00	\$859.35
8/1/2008 Cynthia Arnold	1318 14690 Cattle Dr.	3/4	\$800.00	\$1,659.35
Balance 2nd Quarter		Total	\$4,000.00	\$1,659.35
			-\$2,500.00	
7/1/2008 Precision Pump	Transfer Pump for Well # 1		\$886.00	\$773.35
7/1/2008 Prime Fabrications	Transfer Pump Materials		\$201.80	\$571.55
7/3/2008 T&F Enterprises	Interconnect Pump		\$240.00	\$331.55
7/8/2008 Precision Pump	Transfer Pump		\$1,694.00	-\$1,362.45
8/1/2008 Joy McDonald	1324 17064 N. Longhorn	3/4	\$800.00	-\$562.45
9/30/2008 Interest				\$560.71
Balance 3rd Quarter		Total	\$801.09	-\$560.71
			-\$3,011.80	
11/5/2008 Jessie Jaye Trustee	1345 N/A #316-14 002	4-Mar	\$800.00	249.29
11/5/2008 A-1 Well Service	Test Pumping of Deftail		\$250.00	(\$0.71)
Balance 4th Quarter		Total	\$800.00	-\$0.71
			-\$250.00	

Invoice

PRECISION PUMP INC.
4214 BERTSOS DRIVE #3
LAS VEGAS, NV 89103
PH: (702) 873-1178
FX: (702) 873-1190

DATE

INVOICE #

7/4/2008

806091

BILL TO:

MT. TIPTON WATER CO
PO BOX 38
DOLAN SPRINGS AZ 86441

SHIP TO:

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
-------------	-------	-----	------	-----	--------	---------

VERBAL JUDY

COD

7/4/2008

W/C

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
1	002	PUMPS/GOLDS 33SVBK-5 PUMP	2,356.00	2,356.00
1	008	FREIGHT IN	128.00	128.00
	012	DISCOUNT/CREDIT ON PUMP	-800.00	-800.00

1 010

CUSTOMER AGREES TO RENDER PAYMENT IN
ACCORDANCE WITH THE TERMS STATED ABOVE. IN
THE EVENT OF LEGAL PROCEEDINGS TO ENFORCE
COLLECTION, CUSTOMER SHALL BE LIABLE FOR
ATTORNEY'S FEES AND EXPENSE OF COLLECTION.
1.5% PER MONTH WILL BE ADDED TO ALL PAST DUE
INVOICES.

Out-of-state sale, exempt from sales tax

0.00%

0.00

*Pd ch# 7714
Al. 7/9/08*

TOTAL

\$1,684.00

Precision Pump, Inc.

Date	Type	Reference
7/8/2008	Bill	070808

Original Amt.
1,684.00

7/8/2008	Balance Due	Discount
	1,684.00	
	Check Amount	

7714	Payment
	1,684.00
	1,684.00

Cash in Bank-Stockm Replacement transfer pump black flag(inc. \$800.

1,684.00

39068

4214 BERTSOS DRIVE
LAS VEGAS, NV 89103
(702) 873-1178

9900

SHIP TO

mt Tlapin WATER

[illegible]

7/2/2008

[Signature]

Precision Pump, Inc.

**886.00

Eight Hundred Eighty-Six and 00/100

Precision Pump, Inc.
4214 Bertson Dr. # 3
Las Vegas, Nv. 89103

transfer pump for well # 1 Black Flag

Precision Pump, Inc.				7/2/2008	
Date	Type	Reference	Original Amt.	Balance Due	Discount
6/30/2008	Bill	806091	886.00	886.00	
				Check Amount	
					Payment
					886.00
					886.00

Cash in Bank-Stockm transfer pump for well # 1 Black Flag

886.00

Precision Pump, Inc.				7/2/2008	
Date	Type	Reference	Original Amt.	Balance Due	Discount
6/30/2008	Bill	806091	886.00	886.00	
				Check Amount	
					Payment
					886.00
					886.00

Cash in Bank-Stockm transfer pump for well # 1 Black Flag

886.00

7610mm
5/1/2008

Paul Hoffman

**1,500.00

One Thousand Five Hundred and 00/100*****

Paul Hoffman
P.O. Box 331
Aberdeen, ID 83210

Spring Well hookup material

Paul Hoffman			5/1/2008			
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
2/16/2006	Bill	021606	7,400.00	1,500.00		1,500.00
				Check Amount		1,500.00

Cash in Bank-Stockm Spring Well hookup material 1,500.00

Paul Hoffman			5/1/2008			
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
2/16/2006	Bill	021606	7,400.00	1,500.00		1,500.00
				Check Amount		1,500.00

Cash in Bank-Stockm Spring Well hookup material 1,500.00

Hoffman Repair & Backhoe Service
 Date 2/16/2006 Type Bill Reference 021606

Original Amt.	7,400.00	1/31/2008	Balance Due	3,100.00	Discount	7470
					Check Amount	Payment
						500.00
						500.00

Cash in Bank-Stockm Spring Well hookup material

500.00

39038

Hoffman Repair & Backhoe Service

Date 2/16/2006 Type Bill Reference 021606

Original Amt. 7,400.00

3/13/2008
Balance Due 2,600.00
Discount
Check Amount

7528

Cash in Bank-Stockm Spring Well hookup material

39098

INVOICE

~~Richard Bower~~
Hoffman Repair
Box 1203
Dolan Springs

492161

SOLD TO MT Tipton Water		SHIP TO	
ADDRESS		ADDRESS	
CITY, STATE, ZIP		CITY, STATE, ZIP	
CUSTOMER ORDER NO.	ORDER BY	TERMS	DATE 2-16-06
ORDERED	SHIPPED	DESCRIPTION	PRICE/UNIT AMOUNT
		Material To hook springs	
		to tank line	
		240 foot 6" Pipe	55.00
		60 foot 4" Pipe	210.00
		1 meter	755.00
		6" to 4" Reducer 4" 90°	
		valve & fittings	285.00
		trenching & labor	NC
			7400.00

5840

Short Enterprises L.L.C.
 dba Arthur's Sales & Service
 523 E. Andy Devine
 Kingman, AZ 86401

Statement

DATE

12/29/2007

Mt. Tipton Water Co., Inc.
 PO Box 38
 Dolan Springs, AZ 86441-0038

DATE	TRANSACTION			AMOUNT	BALANCE
06/07/2007	INV #15561. Orig. Amount \$7,029.68.			2,550.77	2,550.77
09/06/2007	INV #15748. Orig. Amount \$4,829.95.			2,829.95	5,380.72
09/27/2007	INV #16508. Orig. Amount \$1,858.07.			1,858.07	7,238.79
12/29/2007	INV #FC 561. Orig. Amount \$99.96. Finance Charge			99.96	7,338.75

Please make sure your pipes & pumps are winterized. Arthur's Sales & Service is NOT responsible for damages caused by freezing.

Phone #

928 753-2048

TERMS: Net 10th Prox. Interest will be charged at the rate of 1-1/2% per month on unpaid balances. Annual percentage rate 18%. Minimum monthly interest charge of \$0.50.

Arthurs Sales & Service

Date	Type	Reference
6/8/2007	Bill	15561

Original Amt.
7,363.55

1/3/2008
Balance Due Discount
2,167.59
Check Amount

7434
Payment
1,000.00
1,000.00

KJW

PS

Cash in Bank-Stockm Repair Well # 9 and # 2

1,000.00

39098

SHORT ENTERPRISES, L.L.C.
dba: ARTHUR'S SALES & SERVICE

523 East Andy Devine Ave.
 KITCHMAN, ARIZONA 86401
 (928) 763-2648 R.O.C. 174674

CUSTOMER'S ORDER NO.		PHONE		DATE 4-10-09	
NAME MT Tipton Water Co.					
ADDRESS					
rev. #1 well					
SOLD BY	CASH	C.O.D.	CHARGE <input checked="" type="checkbox"/>	ON ACCT.	PAID OUT
QTY.		DESCRIPTION		PRICE	AMOUNT
1	777 HVR mtr. sawer			760	80
	labor to install			170	00
10.2	mileage fee (pickup)		2.00	80	00
				1010	00
				TAX	38 41
RECEIVED BY				TOTAL	1048 41

16817

All claims and returned goods
 MUST be accompanied by this bill.

PRODUCT 2531

Thank You!

7697mm
7/1/2008

Prime Fabrication & Supply

**201.80

Two Hundred One and 80/100*****

Prime Fabrication & Supply

Transfer pump parts Precision pump - black flag

Prime Fabrication & Supply			7/1/2008		
Date	Type	Reference	Original Amt.	Balance Due	Discount
7/2/2008	Bill	167127	201.80	201.80	
				Check Amount	
					Payment
					201.80
					201.80

Cash in Bank-Stockm Transfer pump parts Precision pump - black flag 201.80

Prime Fabrication & Supply			7/1/2008		
Date	Type	Reference	Original Amt.	Balance Due	Discount
7/2/2008	Bill	167127	201.80	201.80	
				Check Amount	
					Payment
					201.80
					201.80

Invoice has been lost in the shuffle.
Still researching - *[Signature]*

Cash in Bank-Stockm Transfer pump parts Precision pump - black flag 201.80

OK 7709
A

7/3/2008

T & F ENTERPRISES

**240.00

Two Hundred Forty and 00/100*****

T & F ENTERPRISES
P.O. BOX 8
DOLAN SPRINGS, AZ
86441-0008

Interconnect Pump connection

T & F ENTERPRISES			7/3/2008			
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
7/3/2008	Bill	8362	240.00	240.00		240.00
				Check Amount		240.00

Cash in Bank-Stockm Interconnect Pump connection

240.00

T & F ENTERPRISES			7/3/2008			
Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
7/3/2008	Bill	8362	240.00	240.00		240.00
				Check Amount		240.00

Invoice has been misfiled in the shuffle.
Still researching

Cash in Bank-Stockm Interconnect Pump connection

240.00

7926

A-1 Well Service and Supply, Inc.

Date	Type	Reference
1/12/2008	Bill	11208

Original Amt.
6,030.20

11/5/2008
Balance Due 5,530.20
Discount
Check Amount

Payment
250.00
250.00

Cash in Bank-Stockm Test Pumping of Detrital Well

250.00

Mt. Tipton Water Co., Inc./P.O. Box 38

7926

A-1 Well Service and Supply, Inc.

Date	Type	Reference
1/12/2008	Bill	11208

Original Amt.
6,030.20

11/5/2008
Balance Due 5,530.20
Discount
Check Amount

Payment
250.00
250.00

Cash in Bank-Stockm Test Pumping of Detrital Well

250.00

1 Steve Wene, No. 019630
2 MOYES SELLERS & SIMS LTD.
3 1850 N. Central Avenue, Suite 1100
4 Phoenix, Arizona 85004
5 (602)-604-2189
6 swene@lawms.com
7 Attorneys for Mount Tipton Water Co.

RECEIVED

2010 JUL 16 P 3:08

AZ CORP COMMISSION
DOCKET CONTROL

EXHIBIT

A-3

ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 KRISTIN K. MAYES, CHAIRMAN
10 GARY PIERCE
11 PAUL NEWMAN
12 SANDRA D. KENNEDY
13 BOB STUMP

14 APPLICATION OF MOUNT TIPTON
15 WATER CO., INC. FOR AN INCREASE
16 IN ITS WATER RATES

Docket No. W-02105A-09-0522

NOTICE OF FILING OF
REJOINDER TESTIMONY AND
POTENTIAL EXHIBITS

19 Mt. Tipton Water Co., Inc. ("Company"), hereby gives notice that it is filing the
20 rejoinder testimony of the following witnesses:
21

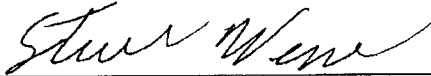
- 22 • Sonn Rowell (Attachment 1); and
- 23 • Michelle Monzillo (Attachment 2).

24 The rejoinder testimony of each of these witnesses is being submitted with this notice.

25 Potential exhibits are being submitted as exhibits to the testimonies identified above.

1 RESPECTFULLY SUBMITTED this 16th day of July, 2010.

2
3 MOYES SELLERS & SIMS

4 

5 Steve Wene

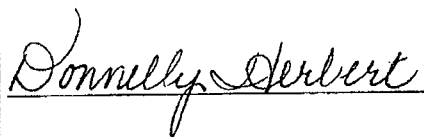
6 Attorneys for Mt. Tipton Water Company

7
8 Original and 13 copies of the foregoing
9 filed this 16th day of July, 2010, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Copy of the foregoing mailed this
15 16th day of July, 2010, to:

16 Kimberly Ruht
17 Legal Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 

ATTACHMENT 1

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**
3
4

5 **COMMISSIONERS**

6 KRISTIN K. MAYES, CHAIRMAN
7 GARY PIERCE
8 PAUL NEWMAN
9 SANDRA D. KENNEDY
10 BOB STUMP

11 **APPLICATION OF MOUNT TIPTON**
12 **WATER CO., INC. FOR AN INCREASE**
13 **IN ITS WATER RATES**
14

Docket No. W-02105A-09-0522

REJOINDER TESTIMONY OF
SONN ROWELL

15
16 **Q-1 What is the purpose of your rejoinder testimony?**

17 **A-1** The purpose of my testimony is to respond to Staff's incorrect position that
18 Customer Security Deposits should be deducted from rate base.
19

20 **Q-2 Why do you believe Staff's position regarding Customer Security Deposits is**
21 **incorrect?**

22 **A-2** Customer Security Deposits are not included in the Company's rate base in the
23 first place, so the deduction is inappropriate.
24

25 **Q-3 Staff implies that the only reason the Company contends that Customer**
26 **Security Deposits should not be deducted from rate base is that the NARUC**
27
28

1 **Uniform System of Accounts ("USOA") does not mention Customer Security**
2 **Deposits. How do you respond?**

3
4 A-3 I disagree with this implied contention. First and foremost, as stated above,
5 Customer Security Deposits are not in any way included in the Company's rate base, so
6 the Company does not earn a return on them. I also pointed out that Customer Security
7 Deposits do not in any way fit the USOA's definitions of AIAC or CIAC. Therefore,
8 Customer Security Deposits should not be treated as if they were AIAC or CIAC as Staff
9 recommends.
10

11 **Q-4 Does the Company to earn a rate of return on Customer Security Deposits?**

12
13 A-4 No. These funds are Company liabilities and must be returned to customers with
14 6% interest. Although the Company can earn interest on Customer Security Deposits
15 held in a bank account, any interest earned will be offset by the requirement that the
16 Company pay 6% interest to its customers when the money is returned. At today's
17 interest rates, this is a money losing proposition.
18

19 **Q-5 Staff disagrees with your recommendation regarding the 6% interest the**
20 **Company pays on Customer Security Deposits, how do you respond?**

21
22 A-5 If Staff's adjustment No. 4 be enacted there should be consideration for the 6%
23 interest the Company must pay on the Customer Security Deposits. Staff simply does not
24 address the 6% interest the Company is required to pay at all in its Surrebuttal Testimony.
25

26 **Q-6 Please summarize your position on the Customer Security Deposit issue.**

27
28 A-6 Deducting Customer Security Deposits from rate base is improper because such
funds are not included in rate base in the first place and the Company must return

1 Customer Security Deposits to its customers with interest. This prevents the Company
2 from earning a return on Customer Security Deposits. If the Commission decides to
3 adopt Staff's recommendation, however, then the revenue requirement impact should be
4 adjusted to reflect the 6% interest the Company pays to its customers.
5

6 **Q-7 Does that conclude your testimony?**

7
8 **A-7 Yes.**
9
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26
27
28

ATTACHMENT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 **COMMISSIONERS**

4 KRISTIN K. MAYES, CHAIRMAN
5 GARY PIERCE
6 PAUL NEWMAN
7 SANDRA D. KENNEDY
8 BOB STUMP

9 **APPLICATION OF MOUNT TIPTON**
10 **WATER CO., INC. FOR AN INCREASE**
11 **IN ITS WATER RATES**

Docket No. W-02105A-09-0522

REJOINDER TESTIMONY OF
MICHELLE MONZILLO

12
13
14 **Q-1 What is the purpose of your rejoinder testimony?**

15 **A-1 The purpose of my testimony is to address two Staff positions: (1) the rate increase**
16 **should not become effective until the Company has demonstrated its water loss is less**
17 **than 10% and is in full compliance with Decision Nos. 67162 and 70837; and (2) the**
18 **disallowance of \$4,722 of purchase power expense for water loss in excess of 10%. The**
19 **Company disagrees with these recommendations.**

20
21
22 **Q-2 Please explain why you believe the Company has demonstrated that its water**
23 **loss is less than 10%.**

24 **A-2 As shown in Exhibit 1, the Company's water loss from January through June of**
25 **this year is 9.30%. In the last quarter (April 1 to June 30), the water loss was 7.8%. This**
26 **was achieved even though an enormous line break occurred in early May. Also, I**
27 **disagree with Staff's implication that the Company should be deemed out of compliance**
28

1 until it demonstrates its water loss is less than 10% for a year. This is not required under
2 Decision No. 67162.

3
4 **Q-3 In your earlier testimony, you stated that during the first quarter of 2010, the**
5 **Company's water loss was 9.2%, yet Staff disagreed that the Company's water loss**
6 **for the quarter was under 10%. Can you explain this discrepancy?**

7
8 **A-3** Yes. Previously, the Company had been calculating quarterly water loss by
9 averaging the percentage of water loss for each month. To my knowledge, this reporting
10 methodology had been used by the Company for Commission compliance reporting
11 purposes for a long time. But after reviewing my testimony, Staff informed me that they
12 wanted the Company to use a different quarterly water loss calculation, which I have now
13 done. Using this approach, I calculate that a first quarter water loss rises to 11.4%, but
14 the second quarter water loss drops to 7.8%, and the overall water loss for 2010 is 9.3%.
15
16 See Exhibit 1.

17
18 **Q-4 Please comment of Staff's position that the Company is still not in compliance**
19 **with Decision Nos. 67162 and 70837.**

20
21 **A-4** As you recall, Staff testified that the Company had not filed the Hook-Up Fee
22 Report and the Water Supply Shortage Plan Report. But as I testified previously, the
23 Company sent the Hook-Up Fee Report to the Commission Compliance Department on
24 October 27, 2009 and had it filed in Docket No. W-02105A-07-0510 on November 2,
25 2009, and Company sent the Water Supply Shortage Plan Report to the Commission
26 Compliance Department on October 27, 2009 and had it filed in Docket No. W-02105A-
27
28

1 07-0510 on October 29, 2009. Both of these filings were made before the permanent rate
2 case was filed.

3
4 On June 24, 2010, I received a phone call from Staff members Dorothy Hains and
5 Brian Bozzo who stated they believed one of the expenses listed in the Hook-Up Fee
6 Report was an unqualified expense. In response, I refunded the questioned \$250.00 to
7 the "offsite" savings account where the Hook-Up fees are kept. I informed the Staff of
8 this adjustment on June 28, 2010. See Exhibit 2. So I believe the Company is in
9 compliance regarding the Hook-up Fee Report matter. I also believe this puts the
10 Company in compliance with Decision No. 70837.
11
12

13 During our June 24 conversation, Staff also stated that they wanted more
14 information regarding how the Company will address the water supply shortage issue.
15 Staff stated they would contact me again by telephone on either July 7 or 8 to discuss
16 exactly what they wanted. I did not receive such a phone call, so on July 15, 2010, I
17 emailed Brian Bozzo a draft addendum to address some of the issues Staff mentioned
18 during the telephone conversation. Mr. Bozzo responded stating that Staff wants a few
19 small revisions to the addendum before it is filed. This addendum, which includes the
20 information requested by Staff, is set forth in Exhibit 3 and is being submitted to the
21 Compliance Section on July 16, 2010 as well.
22
23

24 I also want to mention that my contact with the Compliance Section is Carmel
25 Hood. While I don't recall the exact date, sometime around March or April I spoke with
26 Ms. Hood who informed me that the Company was in compliance. While the Company
27 has no problem submitting additional information requested by Staff, I believe the
28

1 Company has complied with the decisions mentioned above. Moreover, I could
2 understand why Staff might argue the new rates not go into effect if the Company had not
3 filed the reports, but after Staff realized that the reports were timely filed, and requesting
4 only minor corrections eight months after filing, I think Staff continuing to argue that the
5 Company should face severe financial consequences until this matter is resolved seems
6 unreasonable.
7
8

9 **Q-5 Do you agree with Staff's position that the proposed rates should be**
10 **conditions upon the Company demonstrating that its water loss is less than 10% for**
11 **a year.**
12

13 **A-5** No. This would put the Company in a position where it could not pay its bills and
14 leave the Company, which is a customer owned non-profit corporation, in a financial
15 position where it could not afford to upgrade plant and retain competent staff.
16

17 **Q-6 Do you agree with Staff's \$4,722 decrease to purchased power expense?**

18 **A-6** No. Penalizing the company with this adjustment seems unreasonable. Even
19 when major leaks occur, or when there are many small undetectable leaks occurring, the
20 Company must supply its customers with water and it must pay for the power needed to
21 pump the water. The water loss is being addressed, and levying a financial penalty would
22 not further the Company's ability to provide competent management and adequate
23 service to its customers.
24
25

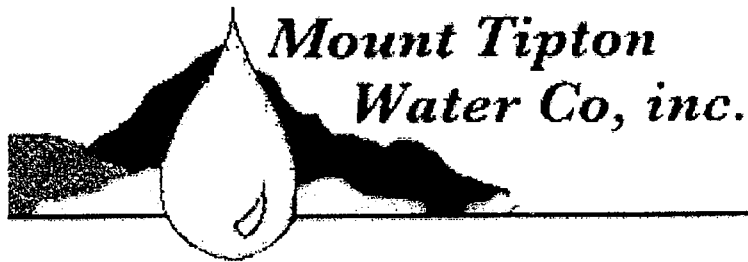
26 **Q-7 Does this conclude your testimony?**

27 **A-7** Yes.
28

EXHIBIT 1

Mt. Tipton Water Company Water Pumped and Sold							
1st, 2nd, 3rd & 4th Quarters 2010							
Docket No. W-20105A-03-0303 and Decision No. 67162							
Month	Gal. Sold	Gal. Pumped	Gal. Lost	% Mth Loss	% Qtrly Loss	% Yrly Lost	#of Cust.
January	1,804,546	2,723,151	918,605	33.7%			696
February	2,612,992	2,414,135	-198,857	-8.2%			695
March	2,319,944	2,368,844	48,900	2.1%			690
1st Qrt	6,737,482	7,506,130	768,648		11.4%		
This quarter we had 3 line breaks, 25 blow offs and 14 over flows.							
We installed 17 new meters. Negative water loss in Feb. due to billing cycle being longer than the calendar month.							
April	2,895,816	2,910,970	15,154	1.0%			695
May	2,389,520	3,052,155	662,635	21.7%			692
June	3,512,630	3,516,856	4,226	0.1%			693
2nd Qrt	8,797,966	9,479,981	682,015		7.8%		
We had an enormous line break in early May that was not discovered for at least half a day. There was 1 other small line break this quarter.							
We had 5 small overflows trying to regulate the tanks. There were 5 blow offs. We installed 34 new meters.							
				2010 running total=		9.30%	

EXHIBIT 2



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

June 28th, 2010

Docket Control Center
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: Rate Increase Docket
W-02105A-09-0522

Hook-Up Fee Report (requested in Docket W-02105A-07-0510 Decision 70837)

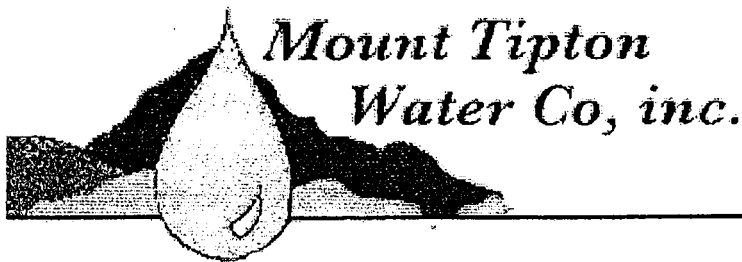
It was brought to our attention on June 24th, 2010 by Brian Bozzo and Dorothy Hains of the ACC that the final Hook-Up fee report filed in October of 2009 listed an unqualified expense. It became clear that the test pumping of the Detrital well in November of 2008 did not qualify due to this not being an essential plant or growth item. The Detrital well is not connected to our water system and most likely, will never be. The attached spreadsheet has been adjusted to exclude this cost and \$250.00 has been refunded to the "Offsite" savings account where the Hook-Up fees are kept. We hope that this alteration will bring us into compliance on this item.

Please let me know if you require any changes or if there is ever any way that I may be more thorough.
Thank you.

Michelle Monzillo
Business Administrator
Mt. Tipton Water Co.

Requested in Decision 70837 Docket W-02105A-07-0510			Annual Hook-Up Report			2008	Rate Case	Docket	W-02105A-09-0522
	Account	Acct#	Meter	Charge	Debit	Interest			Balance
	Opening Balance								\$59.35
1/1/2008	Quathemoc Cervantes	1297	16886 Lakeside Dr.	3/4	\$800.00				\$859.35
1/1/2008	Quathemoc Cervantes	1298	Iron Dr Lot 302	3/4	\$800.00				\$1,659.35
1/3/2008	Short Enterprises		Repair Well 9&2		\$1,000.00				\$659.35
1/31/2008	Hoffman Repair		Spring Well Hookup		\$500.00				\$159.35
	Balance 1st Quarter		Total		\$1,600.00				\$159.35
4/1/2008	Harold Adams	993	15697 Edgemont	3/4	\$800.00				\$959.35
5/1/2008	Ronald Lusby	1304	8523 W. 6th St.	3/4	\$800.00				\$1,759.35
5/1/2008	Hoffman Supply		Springwell Hookup Materials		\$1,500.00				\$259.35
5/8/2008	Short Enterprises		Well Repair #1		\$1,000.00				-\$740.65
6/1/2008	Emilio Liborio	1317	8061 W. 8th	3/4	\$800.00				\$59.35
6/1/2008	Mark Nicholes	1027	15549 N. Gila	3/4	\$800.00				\$859.35
6/1/2008	Cynthia Arnold	1318	14690 Cattle Dr.	3/4	\$800.00				\$1,659.35
	Balance 2nd Quarter		Total		\$4,000.00				\$1,659.35
7/1/2008	Precision Pump		Transfer Pump for Well # 1						
7/1/2008	Prime Fabrications		Transfer Pump Materials		\$886.00				\$773.35
7/3/2008	T&F Enterprises		Interconnect Pump		\$201.80				\$571.55
7/8/2008	Precision Pump		Transfer Pump		\$240.00				\$331.55
8/1/2008	Joy McDonald	1324	17064 N. Longhorn	3/4	\$1,684.00				-\$1,352.45
9/30/2008	Interest				\$800.00		1.09		-\$552.45
	Balance 3rd Quarter		Total		\$801.09				-\$550.71
11/5/2008	Jessie Jaye trustee	1345	N/A #316-14-002	4-Mar	\$800.00				249.29
11/5/2008	A-1 Well Service		Test Pumping of Detrital		**disqualified	expense			\$0.00
	Balance 4th Quarter		Total		\$800.00				\$249.29

EXHIBIT 3



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053
7-16-10

Addendum to Water Supply Shortage Plan for Mt. Tipton Water Company

A report was previously filed (attached) analyzing the historical water supply shortage which has plagued this company. However, a detailed plan for solving this problem was not included. This addendum includes the specific measures that we will take to ensure that there is not an issue with adequately supplying water in the future.

Step 1: Develop New Water Sources: Our experience cleaning some of the wells with the federal stimulus funds has showed us that developing new water sources is critical for the survival of the company. Two of our wells collapsed during cleaning. The wells that were successfully cleaned are producing approximately double the amount of water. We realized during this process that you can only "kick a dead horse back to life" so many times. Most of our wells are beyond or approaching their life expectancy. The only way to absolutely guarantee a stable water supply is to develop new water sources. Our new Office well is producing 140 gallons per minute consistently which alone is more than our entire upper system produced during the peak of summer last year. This new well was placed in service on July 9th, 2010. It is 806 feet deep, has a 40 horsepower pump in an 8 inch casing. Barring this new well needing repairs, we are able to supply all of our customers (and additional future customers) without any restrictions of any kind.

However, in order to be certain that this issue does not reappear at a later time, we plan to drill another new well, not replacement, in the next 3 to 5 years on the north side of our system. This area is at a higher elevation than the rest of the system. Additionally, the electrical cost associated with pumping this water uphill would be eliminated. Having two newer wells would ensure a more than adequate water supply for decades to come.

Step 2: Pressure Relief Valves (PRVs): Our system has been in need of a new PRV in a high-pressure area where many line breaks have occurred. This was originally scheduled for earlier this year; however, the necessity to drill a new well this spring put this project on hold. Now that the new well is completed, we will be installing this much needed PRV in the next few months as funds become available. This will reduce the number of line breaks and the water loss associated with them. Furthermore, the existing PRVs need to be maintained on a yearly basis to

ensure proper functioning. All of our PRVs have received maintenance since L. Tim. Clark became our Field Manager.

Step 3: Increased Storage Capacity: Now that we can produce a much larger amount of water, adding to our water storage would provide a cushion in the case of an emergency such as well failure or a lengthy power outage. We plan to add more storage in the next 3 to 5 years, possibly sooner if funding allows. When a new well is drilled in the upper area of our system, storage will certainly be necessary at that location. Additional storage in town would be beneficial as well and could be placed on existing company property.

Step 4: Replacing Old and Substandard Piping: Some areas of our system are well over 40 years old. The likelihood of pipes this age breaking is very high. Also, there are certain areas that have been identified as having thin-walled substandard pipe that never should have been allowed to be installed. As a matter of fact, the enormous line break we had in early May was this sort of pipe. We plan to begin replacing the pipes in the areas that are known to have problems due to age or materials. Additionally, the pipes need to be buried deeper in some areas due to the county road graders lowering the levels of the roads and causing line breaks. This will be an expensive, long, and arduous process. A project of this magnitude will certainly require taking out a loan and a significant amount of pre-planning. This needs to be investigated in detail to determine factors such as cost and how to limit the disruptions to our customers' water service during this process.

Step 5: Obtaining Equipment: Due to our lack of a backhoe, bobcat, or vacuum truck that would assist in repairing leaks, pipes, and line breaks, there is sometimes a delay in being able to make repairs which can result in water loss and customer outages. We have been very fortunate to have a very generous director, Rocky Bottorff, that has volunteered his time and backhoe on many occasions. However, in the long run, having our own equipment would increase the response time, efficiency, cost, and could reduce the amount of time that customers may have their water off during a repair. Buying our own equipment has been high on our list of priorities for some time now, but the funds have never been available. However, this does need to happen as soon as possible and most definitely before we begin replacing pipes.

Mt. Tipton Water Company has made many improvements in the last couple of years that have resulted in less water loss and a higher production of water. We have not had any water restrictions on our metered customers for an all time record period of 2 years! Yet there are still improvements to be made to guarantee an adequate amount of water in the future. We are setting forth this plan and believe that it is feasible to make our water system completely stable within the next 5 years.

Respectfully submitted by:

Michelle Monzillo
Business Administrator

WATER USE DATA SHEET

NAME OF COMPANY	Mt. Tipton Water Co.
ADEQ Public Water System No.	08-059

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED	GALLONS PURCHASED
Jan. 2010	696	1,805	2,723	N/A
Feb. 2010	695	2,613	2,414	
Mar. 2010	690	2,320	2,369	
Apr. 2010	695	2,896	2,911	
May 2010	692	2,390	3,052	
June 2010	693	3,513	3,517	
July 2010	?	?	2,122*	

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
50,000	2	SS-911950	140
55,000	1	SS-508835	33.3
200,000	1	SS-520732	18
70,000	1	SS-502441	180
80,000	1	SS-510178	48
25,000	1	SS-601846	0-DOWN
10,000	3	SS-601847	33
8,500	2	SS-601848	16
		SS-601849	0-NEEDS NEW PUMP

Other Water Sources in Gallons per Minute	GPM	N/A
Fire Hydrants on System	Yes	No
Total Water Pumped Last 12 Months (Gallons in Thousands)		19,108 *

* through 7-16-10

* Please note that well production does vary depending on hours used, time of year; etc.

WATER USE DATA SHEET

NAME OF COMPANY	Mt. Tipton Water Co.
ADEQ Public Water System No.	08-059

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED	GALLONS PURCHASED

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
		SS-606511	0-DOWN
		SS-508835	0-BEING CLEANED
		SS-520733	12
		SS-502441	180
		SS-510178	48
		SS-601846	0-DOWN
		SS-601847	30
		SS-601848	16
		SS-601849	1,100 gallons/cycle
Other Water Sources in Gallons per Minute			GPM
Fire Hydrants on System			Yes No
Total Water Pumped Last 13 Months (Gallons in Thousands)			

* well production information as of 1/1/2010.

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2010 JUL 22 A 11: 39

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN

GARY PIERCE

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

EXHIBIT

A-4

ADMITTED

APPLICATION OF MOUNT TIPTON
WATER CO., INC. FOR AN INCREASE
IN ITS WATER RATES

Docket No. W-02105A-09-0522

SUMMARY OF TESTIMONY

Mt. Tipton Water Co., Inc. ("Company"), hereby summarizes the testimony of
Sonn Rowell and Michelle Monzillo.

1.0 Sonn Rowell

Mrs. Rowell will testify as follows:

1.1 Sponsor Evidence. Mrs. Rowell will sponsor as evidence the schedules and
financial statements submitted by the Company in this matter.

1.2 Revenue Requirements. Mrs. Rowell will testify that the Company's proposal to
increase its revenues by \$88,701 over **adjusted** test year revenue, which is an increase of
\$60,279 (19.23%) over **actual** test year revenues, is supported by the evidence and is
reasonable. Her analysis is set forth in Rebuttal Schedule C-1. *See Attachment 1.*

1.3 Customer Security Deposits. Mrs. Rowell will testify that Customer Security
Deposits are not in any way included in the Company's rate base, so the Company does

1 not earn a return on them. Customer Security Deposits do not in any way fit the USOA's
2 definitions of AIAC or CIAC. Therefore, Customer Security Deposits should not be
3 treated as if they were AIAC or CIAC as Staff recommends. Further, these funds are
4 Company liabilities and must be returned to customers with 6% interest. Although the
5 Company can earn interest on Customer Security Deposits held in a bank account, any
6 interest earned will be offset by the requirement that the Company pay 6% interest to its
7 customers when the money is returned. At today's interest rates, this is a money losing
8 proposition.
9

10
11 1.4 Purchased Power. Mrs. Rowell will testify that penalizing the Company by
12 deducting \$4,722 from purchased power costs is unreasonable. Even when major leaks
13 occur, or when there are many small undetectable leaks occurring, the Company must
14 supply its customers with water and it must pay for the power needed to pump the water.
15 The water loss is being addressed, and levying a financial penalty would not further the
16 Company's ability to provide competent management and adequate service to its
17 customers.
18

19
20 21 1.5 Rate Design. Mrs. Rowell will testify that the rate design proposed by the
22 Company is appropriate. See Attachment 2, Rebuttal Schedule H-3. The Company
23 disagrees that the base rate should not include any increase. The existing emergency
24 surcharge is a fix rate per meter per month charge, which will end when the proposed
25 rates become effective. So by not including any increase in the base rate, the net effect is
26 that the fixed amount the customer pays will go down and the increase will all come from
27 the commodity rate.
28

1 **2.0 Michelle Monzillo**

2 2.1 Sponsor Evidence. Mrs. Monzillo will sponsor the exhibits attached to her
3 testimony filed in this matter.
4

5 2.2 Water Loss. Mrs. Monzillo will testify that the Company's water loss from
6 January through June of this year is 9.30%. In the last quarter (April 1 to June 30), the
7 water loss was 7.8%. Further, Staff's implication that the Company should be deemed
8 out of compliance until it demonstrates its water loss is less than 10% for a year is not
9 required under Decision No. 67162 and that provision should not be adopted.
10

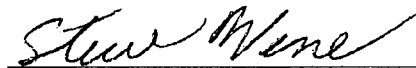
11 2.3 Company Compliance. The Company has met its compliance obligations. The
12 Company sent the Hook-Up Fee Report to the Commission Compliance Department on
13 October 27, 2009 and had it filed in Docket No. W-02105A-07-0510 on November 2,
14 2009, and Company sent the Water Supply Shortage Plan Report to the Commission
15 Compliance Department on October 27, 2009 and had it filed in Docket No. W-02105A-
16 07-0510 on October 29, 2009. Both of these filings were made before the permanent rate
17 case was filed. The Company has responded to Staff's recent request for additional
18 information in a timely fashion.
19
20
21

22 2.4 Delay of Rate Increase. Mrs. Monzillo will testify that any delay in the rate
23 increase would put the Company in a position where it could not pay its bills and leave
24 the Company, which is a customer owned non-profit corporation, in a financial position
25 where it could not afford to upgrade plant and retain competent staff. The problems will
26 be compounded because the emergency surcharge will no longer be in effect, and thus,
27 the Company's rates will actually decrease.
28

1 2.5 Purchase Power Adjustment. Mrs. Monzillo will testify that the Company should
2 not be punished when it had to pay the electric bills, has corrected the water loss problem,
3 and this adjustment would further erode the Company's ability to meet its financial
4 obligations.
5

6 RESPECTFULLY SUBMITTED this 22nd day of July, 2010.
7

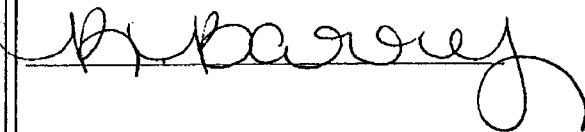
8 MOYES SELLERS & SIMS
9

10 

11 Steve Wene
12 Attorneys for Mt. Tipton Water Company

13 Original and 13 copies of the foregoing
14 filed this 22nd day of July, 2010, with:

15 Docket Control
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007
19

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Attachment 1

Mount Tipton Water Company, Inc.
Test Year Ended June 30, 2009

Rebuttal Schedule: C-1
Title: Adjusted Test Year Income Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Description	Actual for Test Year Ended (a) 30-Jun-09	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:						
460 Unmetered Water Revenue	\$ 100		\$ -	\$ 100		\$ 100
461 Metered Water Revenue	267,655	A	(6,613)	261,042	K \$ 81,209	342,251
461.1 Coin-Operated Sales	16,650			16,650	K 7,492	24,142
474 Other Water Revenue	7,324			7,324		7,324
474.1 Surcharge Revenue	21,810	B	(21,810)	-		-
Total Operating Revenue	\$ 313,539		\$ (28,423)	\$ 285,116	\$ 88,701	\$ 373,817
Operating Expenses:						
601 Salaries & Wages	\$ 93,529			\$ 93,529		\$ 93,529
610 Purchased Water	4,109			4,109		4,109
615 Purchased Power	36,926	P	(1,000)	35,926		35,926
618 Chemicals				-		-
620 Repairs & Maintenance	7,501	C	3,863	11,364		11,364
621 Office Supplies and Expense	14,126	D	250	14,376		14,376
630 Outside Services	7,155			7,155		7,155
635 Water Testing	3,716	M	2,973	6,689		6,689
641 Rental Expense	6,582			6,582		6,582
650 Transportation Expense	9,746			9,746		9,746
657 Insurance - General Liability	22,503	N	(10,273)	12,230		12,230
659 Insurance - Health and Life				-		-
665 Regulatory Commission Expense	5,350	E	(5,350)	-		-
666 Rate Case Expense		F	6,667	6,667		6,667
675 Miscellaneous Expense	12,252	G	9,109	21,361		21,361
403 Depreciation & Amortization	35,093	H	14,602	49,695		49,695
408 Property Taxes	17,019	O	156	17,175		17,175
408.1 Taxes Other Than Income	12,538	N	(1,700)	10,838		10,838
408.2 Franchise Taxes	5,590	I	112	5,702	L 1,774	7,476
409 Income Taxes	-			-		-
Total Operating Expenses	\$ 293,735		\$ 19,409	\$ 313,144	\$ 1,774	\$ 314,918
OPERATING INCOME/(LOSS)	\$ 19,804		\$ (47,832)	\$ (28,028)	(c) \$ 86,927	\$ 58,899
Other Income/(Expense):						
419 Interest and Dividend Income	\$ 106			\$ 106		\$ 106
419.1 Rental Income	11,450			11,450		11,450
421 Non-Utility Income	34,837	J	(34,837)	-		-
426 Miscellaneous Non-Utility Expenses	-			-		-
427 Interest Expense	(13,507)			(13,507)		(13,507)
Total Other Income/(Expense)	\$ 32,886		\$ (34,837)	\$ (1,951)	\$ -	\$ (1,951)
NET INCOME/(LOSS)	\$ 52,690		\$ (82,669)	\$ (29,979)	\$ 86,927	\$ 56,948

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2 (b) C-2

Recap Schedules:
(c) A-1

Attachment 2

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 1 of 2

Explanation:
Schedule comparing present rate schedules with proposed
rate schedule.

(Note: Rates apply to both residential and commercial usage)

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqt ☐

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE			
5/8" x 3/4" Meter	\$ 19.00	\$ 22.60	18.9%
3/4" Meter	28.50	33.90	18.9%
1" Meter	47.50	56.50	18.9%
1-1/2" Meter	95.00	112.99	18.9%
2" Meter	152.00	180.79	18.9%
3" Meter	285.00	361.57	26.9%
4" Meter	475.00	564.96	18.9%
6" Meter	950.00	1,129.92	18.9%
8" Meter	1,425.00	1,694.88	18.9%

Commodity Charges Per 1,000 Gallons:

Company Recommended Commodity Rates for All Meter Sizes

Tier one: 0 - 4,000 Gallons	\$ 3.60
Tier two: 4,001 to 9,000 Gallons	5.00
Tier three: All Gallons Over 9,000	6.45

5/8 x 3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45
Tier two: 4,001 to 9,000 Gallons	3.20
Tier three: All Gallons Over 9,000	4.20

3/4 - inch meter

Tier one: 0 - 4,000 Gallons	\$ 2.45
Tier two: 4,001 to 15,000 Gallons	3.20
Tier three: All Gallons Over 15,000	4.20

One - inch meter

Tier one: 0 - 25,000 Gallons	\$ 3.20
Tier two: All Gallons Over 25,000	4.20

One and one half - inch meter

Tier one: 0 - 50,000 Gallons	\$ 3.20
Tier two: All Gallons Over 50,000	4.20

Two - inch meter

Tier one: 0 - 125,000 Gallons	\$ 3.20
Tier two: All Gallons Over 125,000	4.20

Three - inch meter

Tier one: 0 - 250,000 Gallons	\$ 3.20
Tier two: All Gallons Over 250,000	4.20

Four - inch meter

Tier one: 0 - 400,000 Gallons	\$ 3.20
Tier two: All Gallons Over 400,000	4.20

Six - inch meter

Tier one: 0 - 825,000 Gallons	\$ 3.20
Tier two: All Gallons Over 825,000	4.20

Mount Tipton Water Company
Test Year Ended June 30, 2009

Rebuttal Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 2 of 2

Eight - inch meter

Tier one: 0 - 1,250,000 Gallons	\$	3.20
Tier two: All Gallons Over 1,250,000		4.20

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	\$ 25.00	\$ 30.00	20.0%
Establishment (After Hours)	40.00	40.00	0.0%
Reconnection (Delinquent)	40.00	40.00	0.0%
Reconnection (After Hours)	40.00	40.00	0.0%
Meter Test (If Correct)	40.00	40.00	0.0%
Meter Reread (If Correct)	10.00	15.00	50.0%
NSF Check Charge	15.00	25.00	66.7%
Deposit	*	*	
Deposit Interest (Per Annum)	*	*	
Deferred Payment (Per Month)	**	**	
Late Charge (Per Month)	**	**	
Re-establishment (Within 12 Months)	***	***	
Main Extension	N/A	Cost	
Bulk Sales per 1,000 Gallons ≈	\$ 4.20	\$ 6.45	53.6%
Vending rate for 58 gallons	0.25		
Vending rate for 40 gallons		0.25	45.0%

**MONTHLY SERVICE CHARGE
FOR FIRE SPRINKLER:**

N/A ****

SERVICE LINE AND METER INSTALLATION CHARGES

Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates			% change
		Service Line	Meter Charge	Total Charge	
5/8" x 3/4" Meter	\$ 438.00	\$ 445.00	\$ 155.00	\$ 600.00	37.0%
3/4" Meter	462.00	445.00	255.00	700.00	51.5%
1" Meter	562.00	495.00	315.00	810.00	44.1%
1-1/2" Meter	838.00	550.00	525.00	1,075.00	28.3%
2" Meter - Turbine	N/A	830.00	1,045.00	1,875.00	100.0%
2" Meter - Compound	1,094.00	830.00	1,890.00	2,720.00	148.6%
3" Meter - Turbine	N/A	1,045.00	1,670.00	2,715.00	100.0%
3" Meter - Compound	1,281.00	1,165.00	2,545.00	3,710.00	189.6%
4" Meter - Turbine	N/A	1,490.00	2,670.00	4,160.00	100.0%
4" Meter - Compound	3,375.00	1,670.00	3,645.00	5,315.00	57.5%
6" Meter - Turbine	N/A	2,210.00	5,025.00	7,235.00	100.0%
6" Meter - Compound	4,781.00	2,330.00	6,920.00	9,250.00	93.5%
8" Meter - Turbine	N/A	3,000.00	7,500.00	10,500.00	100.0%
8" Meter - Compound	5,000.00	3,200.00	8,000.00	11,200.00	124.0%

* Per Commission Rule AAC R-14-2-403(B).

** 1.50% of unpaid monthly balance.

*** Month off system times the monthly minimum per Commission rule AAC R14-2-403(D).

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

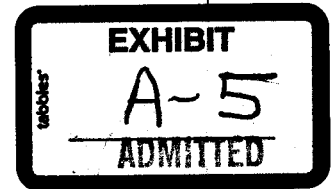
Supporting Schedules:

1 Steve Wene, No. 019630
2 MOYES SELLERS & SIMS LTD.
3 1850 N. Central Avenue, Suite 1100
4 Phoenix, Arizona 85004
5 (602)-604-2189
6 swene@lawms.com
7 Attorneys for Mount Tipton Water Co.

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2010 JUL 22 A 11:40

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

APPLICATION OF MOUNT TIPTON
WATER CO., INC. FOR AN INCREASE
IN ITS WATER RATES

Docket No. W-02105A-09-0522

NOTICE OF FILING OF ISSUES
MATRIX

Mt. Tipton Water Co., Inc. ("Company"), hereby gives notice that it is filing the issues matrix, enclosed herein. The Company believes that Staff concurs that this matrix identifies the issues, but reserves the right to file proposed revisions if deemed necessary.

RESPECTFULLY SUBMITTED this 22nd day of July, 2010.

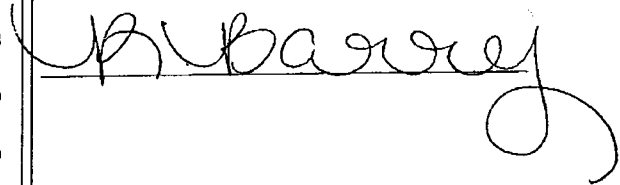
MOYES SELLERS & SIMS

A handwritten signature in cursive script, appearing to read "Steve Wene".

Steve Wene
Attorneys for Mt. Tipton Water Company

1
2 Original and 13 copies of the foregoing
3 filed this 22nd day of July, 2010, with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

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Mt. Tipton Water Company Issues Table

Issue	Company Position	Staff Position
Should the approved rates not go into effect until the Company's water loss is less than 10% and Company is in full compliance with Decision Nos. 67162 and 70837?	Disagree. The Company has met its compliance obligations and withholding rates will jeopardize the Company's ability to meet its financial obligations.	Staff believes that the Company's inability to maintain water loss below 10% since the last rate case warrants postponing the implementation of the new rates until this issue is appropriately rectified.
Is the Company's water loss under 10%?	Yes. Current 2010 water loss is 9.3%; last quarter water loss was 7.8%.	The Company's records indicate extremely erratic water loss for 2010; ranging from a negative percentage one month to above 20 percent another month.
Should the Company be required to establish its water loss is less than 10% for one year?	No. This is not required by rule or any decision.	Staff believes it is appropriate to analyze a company's water loss utilizing a whole year of data because it allows for a cushion so when unforeseeable leaks or other water loss issues to occur it does not inappropriately reflect general water loss.
Is the Company in compliance with Decision No. 67162?	Yes. The Company filed the Water Supply Shortage Plan Report on Oct. 29, 2009; and when Staff asked for more information on June 24, 2010, the Company timely filed more information.	Staff believes that when a company is ordered to file certain information in the future, the Company is not necessarily compliant upon filing the information, but upon Staff verifying that it is indeed the information requested.
Is the Company in compliance with Decision No. 70837?	Yes. The Company filed the Hook-Up Fee Report on Nov. 2, 2009; and when Staff asked for more information on June 24, 2010, it was provided on June 28, 2010.	Staff believes that when a company is ordered to file certain information in the future, the Company is not necessarily compliant upon filing the information, but upon Staff verifying that it is indeed the information requested.

Should operating expenses be adjusted by deducting \$4,722 spent on purchasing power when water loss exceeded 10%?	No. The Company should not be punished when it had to pay the electric bill and has corrected the problem and would further erode the Company's ability to meet its financial obligations.	This adjustment decreases test year purchased power by \$4,722 to reflect Staffs disallowance of pumping power costs is to address the excess non-account water loss, over the maximum allowable loss of 10 percent.
Treatment of Customer Security Deposits (CSDs)	No. CSDs are not included in the rate base in the first place and the Company does not earn a return on CSDs.	Staff decreases rate base by \$14,940 to reflect test year end customer deposits. The balance of customer deposits is reduced from rate base to insure that investors do not earn a return on customer deposits. It is appropriate accounting to make this adjustment.
Revenue Requirement/Rate of Return	<p>The Company proposes to increase its revenues by \$88,701 over <u>adjusted</u> test year revenue. The increase is \$60,279 (19.23%) over <u>actual</u> test year revenues.</p> <p>The Company's proposal results in operating income of \$58,899 or a 10% rate of return on its reported Original Cost Rate Base ("OCRB") of \$588,989.</p>	Staff recommends total operating revenue of \$355,785, an increase of \$61,738 over Staff annualized test year operating revenues of \$293,646. Staffs recommendation results in an operating income of \$47,527 or an 8.34% rate of return on Staffs adjusted OCRB of \$569,673. Staffs recommendation provides the Company with a Times Interest Earned Ratio of 1.95 and a Debt Service Coverage of 1.25.
Rate Design	The Company disagrees that the base rate should not include any increase. The existing emergency surcharge is a fix rate per meter per month charge, which will end when the proposed rates become effective. So by not including any increase in the base rate, the net effect is that the fixed amount the customer pays will go down and the increase will all come from the commodity rate.	The Company's current rate structure is comprised of high break-over for 3/4-inch meter and larger sized meters. Staff is recommending that its recommended rate increase be generated through commodity rates only and that monthly minimum remains at current levels.

RESOLVED ISSUES

Repairs and Maintenance Adjustment	<p>The Company reports \$14,364 of test year repairs and maintenance expense.</p> <p>The Company accepted Staff's adjustment in its rebuttal testimony.</p>	<p>Staff recommends \$11,364 for repairs and maintenance, \$3,000 less than the Company's reported cost and to normalize level of cost incurred for cleaning chamber Well.</p>
Purchase Power Adjustment	<p>The Company has decreased purchased power expense by \$1,000, to reflect a corresponding reduction to pumping power cost, due to customer decline.</p> <p>The Company proposes \$3,716 for water testing expense.</p> <p>The Company accepted Staff's adjustment in its rebuttal testimony.</p>	<p>Staff is recommending a reduced purchased power expense based on pumping cost related to serving test year end customer count.</p> <p>This adjustment increases operating expenses by \$2,973 to \$6,689 to reflect an appropriate cost level for Monitoring Assistant Program ("MAP") testing.</p>
Water Testing Expense		
Insurance General Liability	<p>The Company proposes \$12,230 for which nets Staff's adjustment for the actual price of insurance for the test year, and then additionally adjusts it to include the additional worker's compensation expenses.</p>	<p>This adjustment reduces operating expenses by \$13,518 to reflect the cost of the Company's new insurance policy.</p> <p>Staff accepts the Company's revised general liability insurance expense of \$12,230</p>
Depreciation and Amortization Expense	<p>The Company proposes \$35,273 for depreciation and amortization expense.</p> <p>The Company accepted Staff's adjustment in its rebuttal testimony.</p>	<p>Staff recommends that the Company adopt its recommended depreciation rates by individual National Association of Regulatory Commissioners Association plant category. This adjustment increases operating expenses by \$14,422 to \$49,695 to reflect Staffs recalculation of depreciation expense based on Staff</p>

		adjusted depreciable UPIS and Commission approved depreciation rates.
Franchise Tax	The difference in the Company's franchise tax and Staff's was due to the difference in revenue. Both parties have the same revenue, so they now agree on franchise tax.	Staff recommends \$5,890 for test year franchise tax expense to reflect Staffs recalculation of Franchise tax based on 2.00 percent of test year operating revenues. In Surrebuttal, Staff accepts the Company's adjustment and recommends \$5,873.
Vending machine water	The Company proposes to reconfigure the quantity of water sold through its vending machine from \$0.25 per 58-gallons to \$0.25 per 40-gallons.	Staff recommends adoption of the Company's proposed reconfiguration of its vending machine tariff to \$0.25 per 40-gallons.
Property Tax Expense	The Company accepted Staff's adjustment.	Staff recommends \$13,214 for test year property tax expense based on the Arizona Department of Revenue's Centrally Assessed Properties Value methodology.
Revenues	The Company accepted Staff's adjustment.	Staff recommends normalized test year revenues based on customer count at test year end, as opposed to the Company's proposal to annualize test year revenues based on a customer count eleven months outside the test year, which would create a mismatch.
Working Capital Allowance	Fundamentally, there is no disagreement with Staff.	Staff recommends \$92,651, an increase of \$397 over Staffs recommendation in its Direct Testimony. Amount is based on the formulaic method.

Customer Detail

LMR Fire Department

LMR Fire Department

FIRE USE ONLY

PO Box 611

Dolan Springs

86441

Service Address:

AZ

767-3300

FIRE USE ONLY

Account Number

1421

Date Turned On 7/31/2009
 Date Turned Off
 Meter Check Date
 Rate Code 16
 Pump/Well Number 1
 Last Reading 8700
 Previous Reading 8700
 Usage 0
 Meter Unit Size 1

Months On System 12
 Total Usage 8,700
 Average Usage 725
 Sequence Number 0
 Meter Serial Number
 Route Number 12
 Last Read Date 6/24/2010
 12 Month Average 2,900
 Last Year Average 0
 Previous Year Average 0
 Last "Paid On Time" Date 5/10/2010
 Last Late Charge Date 11/16/2009
 Number Of Late Months 1
 Next Due Date 8/15/2010
 Year To Date Charges \$36.89

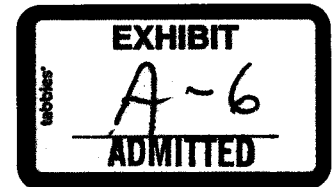
Membership Information

Membership Amount \$0.00
 Deposit Amount 2 \$0.00

Membership Date
 Deposit 2 Date

Certificate Number 0
 Services Current Balance

Usage	Charges	Read Date	Reading
January	0 0.00		0
February	0 0.00	2/24/2010	6000
March	0 0.00		0
April	2,700 11.34	4/28/2010	8700
May	0 0.00	5/26/2010	8700
June	0 0.00	6/24/2010	8700
July	500 2.10	7/30/2009	500
August	0 0.00		0
September	0 0.00		0
October	5,500 23.10	10/30/2009	6000
November	0 0.00		0 L
December	0 0.00		0

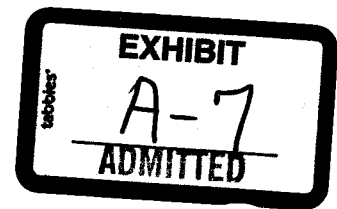


Previous Charges

Last Payment 5/10/2010 \$11.34 Check Number 4823
 Age 1 \$0.00 Age 2 \$0.00 Age 3 \$0.00

Current Balance 0.00

FAX # 767-3301



P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053
December 8th, 2009

To Whom It May Concern at Lake Mohave Ranchos Fire Department,

Mt. Tipton Water Company has not received your "Fire Use" water log for the month of November. Per our contract, the water log is required to be returned to us by the last Thursday of each month. When our Project Manager called to inquire about this log on December 1st so she could close our books out for the month of November, she was told that the fire department had "zero" water usage. However, the water log still needs to be turned in on time regardless of usage. Additionally, when our Project Manager asked about a fire in the area last month, she was told that it is up to Mt. Tipton to bill customers who have had fires for the water that the fire department uses to put their fire out. It is unclear how the water company is supposed to guess how much water is used during a fire when we are not always aware when there is a fire. Why a customer should be responsible for paying for the water usage during a fire when they are paying property taxes to support the fire department is also unclear.

Mt. Tipton Water Company has also been told that the fire department is not supposed to be paying for water used to fight/ control fires; however, no one has ever been able to provide any documentation to confirm this. According to the Arizona Corporation Commission (ACC), no entity is excluded from paying the tariffed rates established by them. If the Lake Mohave Ranchos Fire Department has received an excuse from the ACC, we at Mt. Tipton are unaware of this. Again, please provide this documentation in writing.

As the fire department is well aware of, you were being drastically undercharged for the appropriate meter and water charges for almost 5 years. The following page details your charges, the correct charges, and what the fire department owes to Mt. Tipton Water Company for underpaid meter and water charges, and the state of Arizona for sales tax. We cannot afford to have customers underpaying, particularly customers that are supported by our tax dollars! Being a former board member and having influence in previous administrations of this company does not excuse you from paying the tariffed rates as established by the ACC. Therefore, please remit the

amount owed to us at your earliest convenience. The total is \$1,787.94. If you need to set up a payment plan, please send an authorized representative into our office to do so. Please be aware that you also owe the state of Arizona \$111.46 in back sales tax as well.

Mt. Tipton Water Company is well aware that there have been **many** fires in this area over the last few months. Yet somehow, only minimal water usage has been reported to us (and only on 2 occasions since the fire department has been in our system!). A Mt. Tipton board member observed one of these larger fires and saw 5 tanker loads of water being used in a short period of time. This fire went on for 10 or more hours, making it difficult to estimate the massive amount of water that was used. And this was only for 1 fire!

We have made many efforts to come to a reasonable solution to these issues. We have a large supply of non-potable water that the fire department is welcome to use. However, as far as we are aware of, you are using potable water instead since it is more convenient, yet this is taking water away from our **paying** customers. Mt. Tipton is going to have no choice but to deny you access to potable water if you are going to abuse this privilege and refuse to pay for it on top of that. We are open to suggestions as to how we can rectify this situation, however, please be aware that Mt. Tipton is not nearly large enough to be able to afford to lose thousands of dollars in revenue that we are entitled to. Please respond at your earliest convenience.

Thank you.

Michelle Monzillo
Business Administrator

John Janik
President of the Board of Directors

Analysis of Lake Mohave Ranchos Fire Department Underpayment

Date	Proper Bill Amount	Proper Charges	Proper Sales Tax
4-Dec	\$75.74	\$71.56	\$4.19
5-Jan	\$73.59	\$69.52	\$4.07
5-Feb	\$73.71	\$69.64	\$4.07
5-Mar	\$78.63	\$74.28	\$4.35
5-Apr	\$76.22	\$72.01	\$4.21
5-May	\$81.89	\$77.36	\$4.53
5-Jun	\$104.71	\$51.42	\$5.79
5-Jul	\$106.78	\$100.88	\$5.90
5-Aug	\$91.50	\$86.44	\$5.06
5-Sep	\$83.54	\$78.92	\$4.62
5-Oct	\$81.58	\$77.07	\$4.51
5-Nov	\$76.22	\$72.01	\$4.21
5-Dec	\$83.44	\$78.83	\$4.61
6-Jan	\$75.11	\$70.96	\$4.15
6-Feb	\$77.55	\$73.26	\$4.29
6-Mar	\$78.73	\$74.38	\$4.35
6-Apr	\$81.04	\$76.56	\$4.48
6-May	\$89.54	\$84.59	\$4.95
6-Jun	\$96.07	\$90.76	\$5.31
6-Jul	\$99.09	\$93.61	\$5.48
6-Aug	\$117.79	\$111.28	\$6.51
6-Sep	\$91.20	<u>\$86.16</u>	\$5.04
6-Oct	\$81.98	\$77.45	\$4.53
6-Nov	\$73.76	\$69.68	\$4.08
6-Dec	\$81.98	\$77.45	\$4.53
7-Jan	\$78.59	\$74.25	\$4.34
7-Feb	\$75.21	\$71.05	\$4.16
7-Mar	\$83.58	\$78.96	\$4.62
7-Apr	\$81.78	\$77.26	\$4.52
7-May	\$75.96	\$71.76	\$4.20
7-Jun	\$99.36	\$93.87	\$5.49
7-Jul	\$86.35	\$81.58	\$4.77
7-Aug	\$82.59	\$78.03	\$4.56
7-Sep	\$81.61	\$77.10	\$4.51
7-Oct	\$75.79	\$71.80	\$4.19
7-Nov	\$85.84	\$81.10	\$4.74
7-Dec	\$81.44	\$76.94	\$4.50
8-Jan	\$86.66	\$81.87	\$4.79
8-Feb	\$81.50	\$77.00	\$4.50
8-Mar	\$72.77	\$68.75	\$4.02
8-Apr	\$91.94	\$86.86	\$5.08
8-May	\$77.24	\$72.97	\$4.27
8-Jun	\$89.71	\$84.75	\$4.96
8-Jul	\$83.10	\$78.51	\$4.59
8-Aug	\$67.15	\$63.44	\$3.71
8-Sep	\$78.19	\$73.87	\$4.32
8-Oct	\$88.66	\$83.76	\$4.90
8-Nov	\$74.73	\$70.60	\$4.13
8-Dec	\$83.37	\$78.76	\$4.61
9-Jan	\$83.75	\$79.12	\$4.63
9-Feb	\$84.52	\$79.85	\$4.67
9-Mar	\$87.14	\$82.32	\$4.82
9-Apr	\$92.64	\$87.52	\$5.12
9-May	\$100.46	\$94.91	\$5.55
9-Jun	\$108.76	\$102.75	\$6.01
9-Jul	\$106.73	\$100.83	\$5.90
9-Aug	\$119.40	\$112.80	\$6.60
9-Sep	\$97.41	\$92.03	\$5.38
9-Oct	\$97.82	\$92.41	\$5.41

Proper Water Charges **\$4,745.26**
Proper Sales Tax **\$280.39**

Owed Water Sales to Mt. Tipton Water Co is **\$1,787.94**

to Mt. Tipton Water Company from 12-

Their Bill Amount	Their Charges
\$42.40	\$40.06
\$40.24	\$38.02
\$40.37	\$38.14
\$45.28	\$42.78
\$42.88	\$40.51
\$48.54	\$45.86
\$74.61	\$70.49
\$77.33	\$73.06
\$58.15	\$54.94
\$50.19	\$47.42
\$48.24	\$45.57
\$42.88	\$40.51
\$50.10	\$47.33
\$41.77	\$39.46
\$44.20	\$41.76
\$45.39	\$42.88
\$47.70	\$45.06
\$56.20	\$53.09
\$63.28	\$59.78
\$67.24	\$63.52
\$91.78	\$86.71
\$57.86	\$54.66
\$48.64	\$45.95
\$40.41	\$38.18
\$48.64	\$45.95
\$45.25	\$42.75
\$41.86	\$39.55
\$50.24	\$47.46
\$48.44	\$45.76
\$42.62	\$40.26
\$67.60	\$63.86
\$53.01	\$50.08
\$49.25	\$46.53
\$48.27	\$45.60
\$42.45	\$40.10
\$52.50	\$48.60
\$48.10	\$45.44
\$53.32	\$50.37
\$48.16	\$45.50
\$39.43	\$37.25
\$58.60	\$55.36
\$43.90	\$41.47
\$56.37	\$53.25
\$49.76	\$47.01
\$33.81	\$31.94
\$44.85	\$42.37
\$55.32	\$52.26
\$41.39	\$39.10
\$50.02	\$47.26
\$50.41	\$47.62
\$51.18	\$48.35
\$53.79	\$50.82
\$58.71	\$56.02
\$66.53	\$63.41
\$76.04	\$72.39
\$73.37	\$69.87
\$90.00	\$85.58
\$63.49	\$60.53
\$63.89	\$60.91

Their Water Charge s **\$2,957.32**
Their Sales Tax

Owed Sales Tax is **\$111.46**



Janice K. Brewer
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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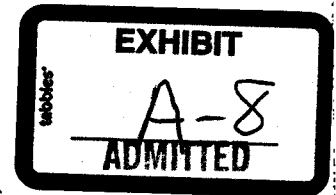


Benjamin H. Crumbles
Director

December 30, 2009

Inspection ID: 151526

Mount Tipton Water Company
Attn: Mr. John Janik, President
P.O. Box 38
Dolan Springs, AZ 86441



RE: Mount Tipton Water Company, PWS 08-059, Place ID 5776
Updated and Corrected Report. Please destroy all Previously Issued Copies.

Dear Mr. Janik:

Please find enclosed a copy of a Sanitary Survey report for the above referenced facility. The inspection was performed on December 9, 2009, in accordance with Arizona Administrative Code R18-4-101, et sequi, R18-5-101, et sequi, and Arizona Revised Statutes 49-101, et sequi. The report may include a summary of inspection, checklist and inspection rights form, or other information regarding the facility.

If there are any questions please contact J. Craig Beeson, P.E. at the referenced address, or at 928-773-2713.

Sincerely,

Robert E. "Buck" Olberding
Field Services Manager
Northern Regional Office
Arizona Department of Environmental Quality

cc: Mohave County Department of Environmental Health, 3675 E. Andy Devine, Kingman, 86401
ADEQ Reading and Compliance Files/ Flagstaff
ADEQ/ Water Quality Compliance Unit/ PHX

Northern Regional Office
1801 W. Route 66 • Suite 117
Flagstaff, AZ 86001
(928) 779-0313

Southern Regional Office
400 West Congress Street • Suite 433
Tucson, AZ 85701
(520) 628-6733

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ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Northern Regional Office
1801 West Route 66, Suite 117, Flagstaff, Arizona 86001

SANITARY SURVEY REPORT

Facility: Mount Tipton Water Company	System # 08-059
Inspected By: J. Craig Beeson	Date: December 9, 2009 151526
Accompanied By: A. Wilson, Tim Clark	County: Mohave
Recommendations By: J. Craig Beeson	Report Date: December 30, 2009
Number of Plants: 10	Wells: 10
Population: 3900	Service Connections: 900, ~688 active

The water system is in compliance with the following ADEQ requirements:

	YES	NO
Certified Operator (System Grade)	X	
Physical Facilities	X	
Monitoring and Reporting	X	

INSPECTION SUMMARY

The survey of the above referenced facility included:

An inspection of the physical facilities	X
Interview with personnel	X
A review of ADEQ monitoring and reporting databases	X
A review of the NRO files	X
A review of files at the facility	

Category Evaluation	Significant Deficiency	Minor Deficiency	Recommendations Made	No Deficiency or Recommendations	Not Evaluated
Source	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Treatment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Distribution System	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finished Water Storage	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pumps	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M&R data verification	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management & Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operator Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The following observations and recommendations were based upon the criteria checked above:

Major Deficiencies

None

Minor Deficiencies

None

Inspection Recommendations and Comments

General

- 1) Please post the Public Water system (PWS) number and the Emergency Contact phone number at every well and storage site. Posting the Entry Point to the Distribution System (EPDS) is optional, but encouraged.**
- 2) Please consider chaining valves together to prevent tampering with the valves.**
- 3) Please file the burrs on the sampling taps to reduce the likelihood of bacterial growth on the tap and to improve sampler safety.**

Site #1, Well # 1

- 1) Please install a pipe cap or similar restrictions to the openings around the target cableway on the storage tank.**
- 2) Please install more riprap on the overflow and tank drainage discharge locations to prevent excessive erosion.**
- 3) Please remove and replace the remaining small lengths of galvanized pipe located in the well house as soon as is practicable.**
- 4) Please consider changes to the well house to improve security.**

Site #2, Well #2, ADWR# 55-508835

- 1) This well is presently under rehabilitation and is off-line.

LDS Site #3, Well# 3, ADWR # 55-520733

- 1) No recommendations

Chambers Site #5, Well# 5, ADWR 55-510178

- 1) There is now a water meter in place.
- 2) It was reported that the galvanized pipe on the pressure tank is to be removed and replaced in the near future. The gauge reading was 75psi.
- 3) Locks are on the electrical control panels.

Site #6, Well #6, ADWR # 55-601846

- 1) This well has collapsed and is off-line.
- 2) Please lock the electrical control panels with the switches in the "off" to secure the panels against tampering.
- 3) Please attach a pipe cap on the intake line up stream from the valve to water system to secure the line. Presently the line is open to the atmosphere and contamination.

Site #7, Well # 7, ADWR 55-601847

- 1) Please install a fence around the well site to secure it.

Site # 8, Well # 8, ADWR 55-601848 (This was Well #9B)

- 1) Please install a fence around the well site in order to secure it.
- 2) The sampling tap is properly filed.

Site #9, Well #9, ADWR 55-601849

- 1) This is a potable vertical well. It is connected to the system.**
- 2) There is a non-potable sampling tap in the tank compound.**
- 3) Please install a courser mesh screen on the tank vent.**
- 4) There is an EPDS on the potable vertical well.**
- 5) Please bury the water line to protect it from freezing.**
- 6) Please move the pipe away from the tank bedding ring to reduce the probability of erosion in the event of a pipe failure.**
- 7) Please separate the potable and non-potable pipes by at least 6 feet horizontally.**

Stand Pipe

- 1) Please file off the thread on the sampling tap and file the internal portion of the tap to reduce the likelihood of bacterial contamination and to improve sampler safety.**
- 2) The check valve and nozzle restrictor are in place.**

Facility Response Guidelines:

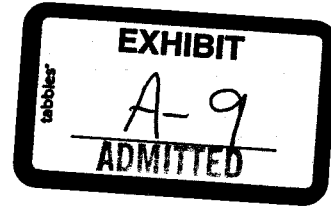
- 1) Within 30 days please bring to the attention of ADEQ any determination you believe are in error.**
- 2) Major Deficiencies are subject to a Notice of Violation (NOV), whereas Minor Deficiencies are subject to a Notice of Opportunity to Correct (NOC). Inspection recommendations may be implemented at the discretion of the facility in order to improve system operation. NOC's may be escalated to NOV's, where it is judged to be appropriate, such as, but not limited to, situations where repeated violations have occurred or it is deemed necessary for public health.**

SYSTEM DESCRIPTION

This community water system consists of 10 wells, at least 3 of which are spring wells. One of the spring wells is currently valved off from the system due to Coliform contamination. There are 10 storage tanks of assorted sizes, 2 pressure tanks, 4 booster/ transfer stations and a 3 zone distribution system.

ML Tipton Water Co. TV Water Loss (from Line Breaks, Leaks, & Blow-Offs)

<u>Line Breaks</u>	<u>Leaks</u>	<u>Blow-offs</u>	<u>Date</u>	<u>Location</u>	<u>Additional Information</u>
	500 g		7/24/2008	VFW	
		100 g	7/14/2008	Del Norte	
		100 g	7/14/2008	Dolan	
		100 g	7/15/2008	6th & Cedar	
		100 g	7/15/2008	Cattle & 7th	
		100 g	7/15/2008	Edgemont & 10th	
		100 g	7/15/2008	Eldorado & 10th	
		2,000 g	9/23/2008	17th St.	
			10/22/2008	16th & Mesquite	needed after line repair
1,800 g		4,000 g	10/22/2008	16th & Mesquite	needed after line break
		2,000 g	10/22/2008	17th St.	"
		300 g	10/22/2008	Mesquite S.	"
			10/30/2008	Edgemont	
1,500 g		250 g	10/30/2008	Edgemont	needed after line break
		250 g	10/30/2008	Dolan	"
		100 g	11/3/2008	Lariat	"
			11/7/2008	Frontier & 9th	
1,500 g		300 g	11/7/2008	Frontier	needed after line break
		100 g	11/10/2008	Del Norte	
			11/11/2008	Ironwood	
700 g		700 g	11/11/2008	Ironwood	needed after line break
		250 g	11/19/2008	Del Norte	
			11/20/2008	Longhorn	
			11/20/2008	Longhorn	
			12/1/2008	Downtown	
		840 g	12/1/2008	Post Office	
		500 g	12/1/2008	St. Vincent's	
			12/5/2008	Lost Mine	
		500 g	12/5/2008	Lost Mine	
			12/30/2008	14th & Lariat	
			12/24/2008	Kitmit & Quail	
			1/10/2009	11th & Ironwood	
			1/16/2009	14th & Lariat	
		250 g	1/23/2009	RV Park	
		5,000 g	1/25/2009	Family Dollar	
			1/31/2009	Canyon Pawn	
			1/31/2009	Lariat	
					needed after new service hook up for disinfection car backed over meter box causing break



Page 2



Janice K. Brewer
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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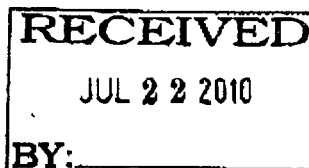


Benjamin H. Grumbles
Director

APPROVAL OF CONSTRUCTION

Project Description: Installation of new well (55-911950) to service Mt. Tipton Water Company located in Kingman/Mohave County.
Location: Kingman, AZ

Project Owner: Don Bertroch
Address: P.O. Box 38
Dolan Springs, AZ 86441



The Arizona Department of Environmental Quality (ADEQ) hereby issues an Approval of Construction for the above-described facility based on the following provisions of Arizona Administrative Code (A.A.C.) R18-5-507 et seq.

On June 27th, 2010, ADEQ issued a Certificate of Approval to Construct for the referenced project.

On July 12th, 2010, Peter J. Proffit, P.E., certified the following:

- A final construction inspection was conducted on July 12th, 2010;
- The referenced project was constructed according to the as-built plans and specifications and ADEQ's Certificate of Approval to Construct;
- The water distribution system was disinfected according to an ADEQ-approved method; and
- The applicant has the right to appeal this AOC Permit. Appeal information is on reverse side of this Permit.

Microbiological samples were collected on June 15th, 2010 and analyzed on June 16th, 2010 by Mohave Environmental Laboratory, ADHS License No. AZ0037. The sample results were negative for total coliform.

This Approval of Construction authorizes the owner to begin operating the above-described facilities as represented in the approved plan on file with the ADEQ. Be advised that A.A.C. R18-5-124 requires the owner of a public water system to maintain and operate all water production, treatment and distribution facilities in accordance with ADEQ Safe Drinking Water Rules.

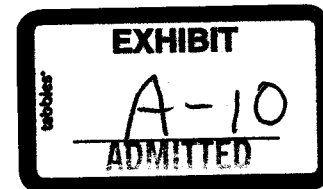
DB11

PWS No.: 08-059
LTF No.: 52900

Janak K. Desai
Janak K. Desai, P.E., Manager
Drinking Water Facilities
Review Unit

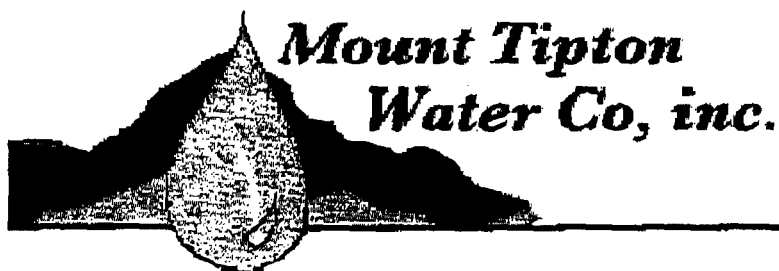
7/16/2010
Date Approved

c: TEU File No.: 20100077
CRO Approval of Construction File
Mohave County Health Department
Mohave County Planning & Zoning Department
AZ Corporation Commission
Engineer



Northern Regional Office
1801 W. Route 66 • Suite 117 • Flagstaff, AZ 86001
(928) 779-0313

Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ 85701
(520) 628-6733



Mount Tipton Water Co, inc.

P.O. Box 38
15996 Ironwood Drive,
Dolan Springs, AZ 86441
928-767-3713 Fax: 928-767-3053

Construction Expense Report for New Office Well #1

Vendor	Service	Cost
A-1 Well Service	pipe & pump	\$36,964.72
A-1 Well Service	well head & surface pipe	\$4,991.17
AZ Dept. of Environ. Quality	approval to construct	\$1,250.00
Drill Tech	drilled & cased well	\$49,878.45
Drill Tech	abandoned old well	\$2,800.00
Matthew Monzillo	poured slab around well head	\$396.00
Sunflower Concrete	concrete for old well & new slab	\$546.00
Mohave Engineering	engineered plans	\$5,659.00
Mohave Environ. Labs	water testing	\$3,050.00 +/- *
Total=		\$105,535.34

* This cost has not been finalized at this point.



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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MAY 26 2010

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

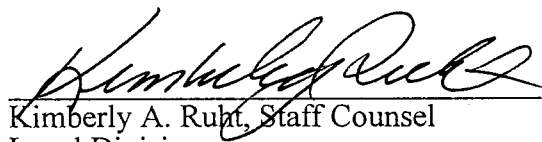
IN THE MATTER OF THE APPLICATION OF
MOUNT TIPTION WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES.

DOCKET NO. W-02105A-09-0522

**STAFF'S NOTICE OF FILING DIRECT
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
Dorothy Hains and Alexander Ibhade Igwe of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 26th day of May 2010.



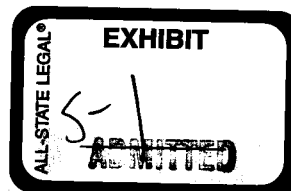
Kimberly A. Ruht, Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
26th day of May, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

...

...



1 Copy of the foregoing mailed this
2 26th day of May, 2010, to:

3 Steve Wene, Esq.
4 Moyes Sellers & Sims, Ltd.
5 1850 North Central Avenue
6 Suite 1100
7 Phoenix, Arizona 85004

8 Karen Christensen

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION)
OF MOUNT TIPTON WATER COMPANY,)
AN ARIZONA CORPORATION, FOR AN)
INCREASE IN ITS WATER RATES)
_____)

DOCKET NO. W-02105A-09-0522

DIRECT TESTIMONY

OF

ALEXANDER IBHADE IGWE, CPA

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 26, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
PURPOSE OF TESTIMONY	2
BACKGROUND	2
CONSUMER SERVICE	4
REVENUE REQUIREMENT	5
SUMMARY OF ADJUSTMENTS	5
RATE OF RETURN	7
RATE BASE	8
<i>Fair Value Rate Base</i>	8
<i>Rate Base Summary</i>	8
<i>Rate Base Adjustment No. 1 – Utility Plant in Service</i>	9
<i>Rate Base Adjustment No. 2 – Accumulated Depreciation</i>	10
<i>Rate Base Adjustment No. 3 – Advances-in-Aid of Construction</i>	11
<i>Rate Base Adjustment No. 4 – Customer Deposits</i>	12
<i>Rate Base Adjustment No. 5 – Working Capital Allowance</i>	12
OPERATING INCOME	13
<i>Revenues</i>	13
EXPENSES	13
<i>Operating Income Adjustment No. 1 – Purchased Power</i>	13
<i>Operating Income Adjustment No. 2 – Repairs & Maintenance</i>	15
<i>Operating Income Adjustment No. 3 – Water Testing Expense</i>	16
<i>Operating Income Adjustment No. 4 – Insurance – General Liability</i>	17
<i>Operating Income Adjustment No. 5 – Depreciation and Amortization Expense</i>	18
<i>Operating Income Adjustment No. 6 – Property Tax Expense</i>	19
<i>Operating Income Adjustment No. 7 – Franchise Tax</i>	20
RATE DESIGN	21
RECOMMENDATIONS	24

EXECUTIVE SUMMARY
MOUNT TIPTON WATER COMPANY
DOCKET NO. W-02105A-09-0522

Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company") is a non-profit Arizona corporation located approximately 35 miles northeast of the City of Kingman, Mohave County, Arizona. In Decision No. 40644, dated May 26, 1970, the Company was certificated to provide water service in the town of Dolan Springs. It currently serves approximately 720 customers based on rates and charges approved by the Arizona Corporation Commission ("Commission") Decision No. 67162, dated August 10, 2004.

Mt. Tipton seeks Commission authority to increase its revenues by \$78,014 or 26.49 percent over its reported test year revenues of \$294,493, for a total of \$372,506. The Company's proposal results in operating income of \$58,811 or a 10 percent rate of return on its reported Original Cost Rate Base ("OCRB") of \$588,112.

Staff recommends total operating revenues of \$353,975, an increase of \$59,482 or 20.20 percent over its reported test year revenues. Staff's recommended revenue requirement results in an operating income of \$47,787 or a rate of return of 8.39 percent on Staff's adjusted OCRB of \$569,275. Also, Staff's recommended revenue requirement provides the Company with adequate cash flow to meet a Debt Service Ratio of 1.5, required for its debt covenant with the Water Infrastructure Finance Authority ("WIFA").

The Company's current rate structure is tiered, with three tiers for 5/8 x 3/4-inch meter and 3/4-inch meter; and two tiers for the larger meter sizes. The current rate design consists of three commodity rates for customers on 5/8 x 3/4-inch meter and 3/4-inch meter. The second tier and third-tier commodity rates for 5/8 x 3/4-inch meter are assessed as the first tier and second-tier commodity rates for meters larger than 3/4-inch meter. The Company charges the third tier commodity rate for bulk water sales, and 25 cents per 58-gallons for water sold through its vending machine.

Mt. Tipton is proposing to retain its current rate structure and rate design in this proceeding. However, the Company proposes to reconfigure the quantity of water sold through its vending machine from \$0.25 per 58-gallons to \$0.25 per 40-gallons. This proposal is predicated on the Company's observed customer difficulty associated with dispensing 58-gallons to customers' smaller containers. As a result, customers have been observed to turn off the vending machine before it dispenses 58 gallons, thus resulting in waste. The Company's proposal to reconfigure its vending machine to 40-gallons will eliminate difficulties associated with its current tariff of \$0.25 per 58-gallons.

The Company proposed rate design results in an increase in the monthly bill of a residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-gallons from \$24.65 to \$31.84, an increase of \$7.19 or 29.2 percent.

The Company's current rate structure is comprised of high break-over for 3/4-inch meter and larger sized meters. For example, the 1-inch meter has a first-tier break-over of 25,000-gallons. During the test year, average and median usage on 1-inch meter were at 9,792-gallons and 9,750-gallons, respectively. Staff has determined that such disparity between break-over points and actual consumption levels will not engender efficient use of water by Mt. Tipton's customers. Because the consumption patterns of larger sized meters are not materially different than that of 5/8 x 3/4-inch meter, Staff is recommending a three-tiered rate structure, with the same break-over of 4,000-gallons for the first-tier, 9,000-gallons for the second-tier and over 9,000-gallons for the third-tier, for all meter sizes. Staff recommends Commission approval of its reconfigured rate structure. Further, Staff recommends adoption of the Company's proposed reconfiguration of its vending machine tariff to \$0.25 per 40-gallons.

Staff has determined that the Company's current and proposed rates generate approximately 60 percent of revenues from monthly minimum charges. This skewed rate design is inconsistent with promoting effluent water use. Staff is recommending that its recommended rate increase be generated through commodity rates only. Staff's recommendation will hold the Company's monthly minimum at current levels. This results in rates that generate approximately 50 percent of revenues from both monthly minimum charges and commodity rates. Staff's recommended rates will increase the monthly bill of a residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-gallons from \$24.65 to \$27.30, an increase of \$2.65 or 10.8 percent.

Staff recommends that the Commission approve its recommended rates and charges in this proceeding.

Staff recommends that the rates and charges approved by the Commission in this proceeding not become effective until the Mt. Tipton demonstrate that its water loss is less than 10 percent, and it is in full compliance with Decision No. 67162.

Staff recommends that the Company adopt its recommended depreciation rates by individual National Association of Regulatory Commissioners Association plant category, depicted on Figure 5 of Engineering Report.

Staff recommends that the Company's emergency interim surcharge be discontinued on December 31, 2010 or on the effective date of the decision in this proceeding, whichever comes first.

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington
4 Street, Phoenix, Arizona 85007.

5
6 **Q. What is your current employment position?**

7 A. I am employed with the Utilities Division ("Staff") of the Arizona Corporation
8 Commission ("Commission") as an Executive Consultant III.

9
10 **Q. Briefly describe your responsibilities as an Executive Consultant.**

11 A. In my capacity as an Executive Consultant III, I perform complex financial analysis and
12 make recommendations to the Commission on rate base, revenue requirement and rate
13 design; for water, wastewater, electric and gas rate proceedings. Also, I provide
14 recommendations on financing, merger and acquisitions, sales of assets, issuance and
15 extension of Certificate of Convenience and Necessity ("CC&N") as well as other
16 ancillary matters.

17
18 **Q. Please describe your educational background and professional experience.**

19 A. I received a Bachelor of Science degree in Accounting from the University of Benin,
20 Nigeria and a Master of Information Systems Management degree from Keller Graduate
21 School of Management of Devry University. I am a licensed Certified Public Accountant
22 in the States of Arizona. I have attended various training classes and courses regarding
23 regulatory audits, rate-making, and other utility related matters. In addition, in my over
24 nine years working for the Utilities Division, I have prepared Staff Reports and pre-filed
25 testimonies and presented oral testimonies in several proceedings before the Commission.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. I am presenting Staff's analysis and recommendations regarding Mount Tipton Water Company, Inc.'s ("Mt. Tipton" or "Company") application for a increases in its rates and charges based on a test year ended June 30, 2009. My testimony addresses the Company's proposed rate of return, rate base, revenue requirement and rate design.

Q. What is the basis of your recommendations?

A. I reviewed the Company's filing and conducted a regulatory audit of its financial statements and records to determine whether sufficient, relevant, and reliable evidence exists to support its requested rate increase. The regulatory audit entailed examination and testing of financial information, accounting records and other supporting documentation, as well as verifying that the accounting principles applied by the Company were in accordance with National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USoA").

BACKGROUND

Q. Please provide a brief description of the Company.

A. Mt. Tipton is a non-profit Arizona corporation located approximately 35 miles northeast of the City of Kingman, Mohave County, Arizona. In Decision No. 40644, dated May 26, 1970, the Company was certificated to provide water service in the town of Dolan Springs. Mt. Tipton currently serves approximately 720 customers based on rates and charges approved by the Commission, in Decision No. 67162, dated August 10, 2004

1 **Q. Please state the Company's request in this application.**

2 A. Mt. Tipton seeks Commission authority to increase its revenues by \$78,014 or 18.81
3 percent over its adjusted test year revenues of \$294,493, for a total of \$372,506. The
4 Company's proposal results in operating income of \$58,811 or a 10 percent rate of return
5 on its reported Original Cost Rate Base ("OCRB") of \$588,112.

6
7 **Q. Has the Company revised its reported balance of gross utility plant in service and**
8 **accumulated depreciation since its original filing?**

9 A. Yes. Mt. Tipton revised its filed Gross Utility Plant in Service, ("UPIS") to \$1,916,740,
10 and accumulated depreciation to \$1,213,304, in its responses to Staff's Data Request AII
11 4-1. This revision results from errors found in the Company's accounting records during
12 this proceeding. The impact of its revision to OCRB will be fully discussed under the
13 section titled Rate Base.

14
15 **Q. Please briefly describe the Company's capital structure.**

16 A. The Company's capital structure is comprised of \$777,387 of long-term debt and a
17 negative equity balance of \$364,892. Although, the Company has no positive equity or
18 investors provided funds, it is seeking a 10 percent rate of return in this proceeding.

19
20 **Q. It is typical for a company with no equity to seek a rate of return?**

21 A. No. In the normal course of rate regulation, a rate of return is provided on investors
22 provided capital or equity. In the case of small utilities with limited OCRB or no equity,
23 operating income is derived based on cash flow analysis or operating margin. Staff has
24 utilized this methodology to insure Mt. Tipton has adequate cash flow to meet a minimum
25 Debt Service Coverage ("DSC") of 1.20.

CONSUMER SERVICE

Q. Please summarize the Company's consumer service history.

A. Staff's search of the Commission database indicates that between 2007 and April 1, 2010, the Company had twenty-eight (28) complaints and two (2) opinions. The two recorded opinions are in opposition to the Company's requested rate increase. All reported issues have been successfully resolved.

Q. Has the Company published a notice of its pending rate application?

A. Yes. Mt. Tipton mailed a Public Notice of its rate application and hearing to each customer of record, on January 19, 2010. The *Affidavit of Mailing* was docketed with the Commission on January 28, 2010. On February 19, 2010, the Company filed an *Affidavit of Publication*, showing that its Public Notice was published in *The Hometown Crier*, a newspaper of general circulation, on January 22, 2010.

Q. Did Staff review a sample of the Company's bill format?

A. Yes. Our review shows that Company's bill format is compliant with Arizona Administrative Code ("A.A.C.") § R14-2-409.B.2.

Q. Is Mt. Tipton in good standing with Corporation Division of the Commission?

A. Yes. Staff has confirmed that the Company is in good standing with the Corporation Division of the Commission.

Q. Has the Company a Curtailment Tariff on file with the Commission?

A. Yes. The Company's curtailment Tariff became effective on September 22, 2004.

1 **Q. Has the Company filed a Cross-Connection/Backflow Tariff with the Commission?**

2 A. Yes. Our review of the Commission records indicates that the Company's cross-
3 connection/backflow tariff became effective on December 28, 1995.

4
5 **REVENUE REQUIREMENT**

6 **Q. Please summarize the Company's proposed revenue requirement in this proceeding.**

7 A. Mt. Tipton proposes annual operating revenues of \$372,506, an increase of \$78,014 or
8 26.49 percent over its test year revenues of \$294,493. The Company's proposal results in
9 an operating income of \$58,811 or 10.00 percent rate of return over an OCRB of
10 \$588,112.

11
12 **Q. Please state Staff's recommending for revenue requirement.**

13 A. Staff recommends total operating revenues of \$353,975, \$59,482 or 20.20 percent over its
14 reported test year revenues. Staff's recommended revenue requirement results in an
15 operating income of \$47,787 or an 8.39 percent rate of return on Staff's adjusted OCRB of
16 \$569,275. Staff's recommended revenue requirement provides the Company with
17 adequate cash flow to meet a minimum Debt Service Ratio of 1.20, required for its debt
18 covenant with the Water Infrastructure Finance Authority ("WIFA").

19
20 **SUMMARY OF ADJUSTMENTS**

21 **Q. Please summarize the adjustments addressed in this testimony.**

22 A. Staff's analysis addresses the following adjustments:

23
24 Gross Utility Plant in Service ("UPIS") – This adjustment increase UPIS by \$189,160 to
25 correctly restate the Company's UPIS at test year end.
26

1 Accumulated Depreciation and Amortization – This adjustment decreases rate base by
2 \$64,696 to reflect the impact of Staff's recalculation of accumulated depreciation based on
3 Staff adjusted gross utility plant in service.

4
5 Advances-in-Aid of Construction ("AIAC") – This adjustment increases the Company's
6 reported test year end AIAC balance by \$121,992 to correct for accounting error in its
7 filing.

8
9 Customer Deposits – This adjustment decreases rate base by \$14,940 to reflect test year
10 end customer deposits.

11
12 Working Capital – This adjustment reduces rate base by \$6,368 to reflect the impact of
13 Staff adjusted operating expenses on working capital, derived through the formulaic
14 method.

15
16 Purchased Power – This adjustment decreases test year purchased power by \$4,722 to
17 reflect Staff's disallowance of pumping power costs related to excess non-account water
18 loss, over the maximum allowable loss of 10 percent.

19
20 Repairs & Maintenance – This adjustment reduces operating expenses by \$3,000 to reflect
21 a normalized level of cost incurred for cleaning chamber Well.

22
23 Water Testing Expense – This adjustment increases operating expenses by \$2,973 to
24 reflect an appropriate cost level for Monitoring Assistant Program ("MAP") testing.

1 Insurance – General Liability – This adjustment reduces operating expenses by \$13,518 to
2 reflect the cost of the Company's new insurance policy.

3
4 Depreciation Expense – This adjustment increases operating expenses by \$14,422 to
5 reflect Staff's recalculation of depreciation expense based on Staff adjusted depreciable
6 UPIS and Commission approved depreciation rates.

7
8 Property Tax Expense – This adjustment decreases operating expenses by \$3,805 to reflect
9 Staff's recalculation of test year property tax expense based on the Arizona Department of
10 Revenue's Centrally Assessed Properties Value methodology.

11
12 Franchise Tax Expenses – This adjustment decreases operating expenses by \$381 to
13 reflect Staff's recalculation of Franchise tax based on 2.00 percent of test year operating
14 revenues.

15
16 **RATE OF RETURN**

17 **Q. Please state the Company's requested rate of return in this proceeding.**

18 A. The Company seeks Commission approval of a 10 percent rate of return on its reported
19 OCRB in this proceeding.

20
21 **Q. What is a DSC?**

22 A. A DSC represents the number of times internally generated cash will cover required
23 principal and interest payments on short-term and long-term debt. A DSC greater than 1.0
24 indicates that cash flow from operations is sufficient to cover debt obligations. A DSC
25 less than 1.0 means that debt service obligations cannot be met by cash generated from
26 operations and that another source of funds is needed to avoid default

1 Q. What rate of return is Staff recommending for Mt. Tipton?

2 A. As shown on Schedule AII-1, Staff recommends a rate of return of 8.37 percent, which
3 yields a DSC of 1.26 percent.

4
5 Q. Has the Company proposed a Fair Value Rate of Return ("FVROR") in this
6 proceeding?

7 A. No.

8
9 Q. Please state Staff's recommendation regarding FVROR for the Company.

10 A. Staff recommends a FVROR of 8.37 percent in this proceeding.

11
12 **RATE BASE**

13 *Fair Value Rate Base*

14 Q. Did the Company provide any schedule showing elements of Reconstruction Cost
15 New Rate Base ("RCND")?

16 A. No. The Company did not present the result of an RCND study in its filing. Therefore, it
17 appears that the Company intends that its requested OCRB be treated as its Fair Value
18 Rate Base ("FVRB").

19
20 *Rate Base Summary*

21 Q. Please state Staff's recommendation for rate base?

22 A. As shown on Schedule AII-1 and AII-3, Staff recommends an OCRB of \$569,275,
23 \$18,837 less than the Company filed OCRB of \$588,112.

24

1 **Q. Please summarize Staff's adjustments to the Company's proposed rate base.**

2 A. Staff's OCRB adjustment of \$18,837 is comprised of an increase of \$189,160 to UPIS, an
3 increase of \$64,969 to accumulated depreciation, an increase of \$121,922 to AIAC, an
4 increase of \$14,940 to customer deposits and a decrease of \$6,368 to working capital
5 allowance. These adjustments are fully discussed below:

6
7 *Rate Base Adjustment No. 1 – Utility Plant in Service*

8 **Q. Please state the Company's reported test year balance of UPIS.**

9 A. On Schedule B-1 and B-2, the Company reports UPIS balance of \$1,727,581.

10

11 **Q. Has the Company revised its test year end balance of UPIS during this proceeding?**

12 A. Yes. The Company restated its year end balance of UPIS as \$1,916,741, an increase of
13 \$189,160 over its filed balance of \$1,727,581. The Company claims that the variance
14 between its filed and revised UPIS balances, results primarily from misclassification of
15 plant additions to AIAC.

16

17 **Q. Did Staff review the Company's revised UPIS balance?**

18 A. Yes. Staff's data request AII 4-1 and AII 7-1 were triggered by certain inconsistencies
19 observed in reviewing the Company's reported plant balances. Staff has evaluated the
20 Company responses to the above data requests, and concluded that the revised plant
21 balance of \$1,916,741 is supported by adequate records.

22

23 **Q. What is the purpose of Staff's adjustment to UPIS?**

24 A. Staff's Rate Base Adjustment No. 1, shown on Schedule AII-5, increases UPIS by
25 \$189,160 to correctly restate the Company's UPIS balance.

26

1 **Q. Please state Staff's recommended UPIS.**

2 A. Staff recommends UPIS balance of \$1,916,741 in this proceeding.
3

4 *Rate Base Adjustment No. 2 – Accumulated Depreciation*

5 **Q. Please state the Company's filed test year end balance of Accumulated Depreciation.**

6 A. The Company filed Schedule B-1 shows a balance of \$1,147,977 for accumulated
7 depreciation.
8

9 **Q. Has the Company revised its reported accumulated depreciation?**

10 A. Yes. The Company has recalculated accumulated depreciation based on its revised plant
11 balances. In its response to Staff data request AII 7-2, the Company restated its
12 accumulated depreciation as \$1,213,308. The Company's accumulated depreciation was
13 derived by adding depreciation expenses since the last test year, to the balance approved in
14 that proceeding. Staff notes that the Company's worksheet indicates that \$867,663 was
15 approved by the Commission in Decision No. 67162, rather than \$867,033, a variance of
16 \$630.
17

18 **Q. Did Staff calculate the Company's accumulated depreciation?**

19 A. Yes. Staff's recalculation of depreciation expense since the last rate case, confirms that
20 the Company's calculation shown on its response to Staff's Data Request AII 7-2 is
21 accurate. However, Staff recalculation results in accumulated depreciation of \$1,212,673,
22 \$630 less than the Company's revised proposal. As noted above, this difference is due to
23 the Company's inadvertent error in stating the Commission approved accumulated
24 depreciation in Decision No. 67162.
25

1 **Q. Please state Staff's recommended adjustment to the Company filed balance of**
2 **accumulated depreciation.**

3 A. As shown on Schedule AII-6, Rate Base Adjustment No. 2 increases accumulated
4 depreciation by \$64,696, to correctly restate the Company's filed accumulated
5 depreciation of \$1,147,977.

6
7 **Q. What is Staff recommending for accumulated depreciation?**

8 A. Staff recommends accumulated depreciation of \$1,212,673 in this proceeding
9

10 *Rate Base Adjustment No. 3 – Advances-in-Aid of Construction*

11 **Q. Please state the Company's proposed AIAC**

12 A. The Company in its filed Schedule B-1 reported a test year end AIAC balance of \$22,612.
13

14 **Q. Has the Company revised its reported test year end AIAC balance?**

15 A. Yes. The Company has revised its reported balance of test year end AIAC, from \$22,612
16 to \$144,604. In its response to Staff Data Request AII 4-3, the Company admits that its
17 filed AIAC balance was understated by \$121,992 due to accounting errors.
18

19 **Q. Please state Staff's recommended adjustment to AIAC.**

20 A. As shown on Schedule AII-7, Rate Base Adjustment No. 3 increases AIAC by \$121,992
21 to correct for accounting error in the Company's filing.
22

23 **Q. What is Staff recommending regarding for AIAC?**

24 A. Staff recommends a test year end AIAC balance of \$144,604.
25

Rate Base Adjustment No. 4 – Customer Deposits

Q. Did the Company reflect the balance of customer deposits in its proposed OCRB?

A. No.

Q. Is it a normal ratemaking procedure to reduce OCRB by the balance of customer deposit at test year end?

A. Yes. Because customer deposit is non-investor provided capital, it is treated as a reduction to OCRB. In other words, the balance of customer deposits is eliminated from OCRB to insure that investors do not earn a return on customer deposits.

Q. Is Staff recommending any adjustment to reduce Staff adjusted OCRB by the balance of customer deposits?

A. Yes. As shown on Schedule AII-8, Rate Base Adjustment No. 4 reduces OCRB by \$14,940 of test year end customer deposits.

Rate Base Adjustment No. 5 – Working Capital Allowance

Q. What is the Company proposing for working capital allowance in this proceeding?

A. As shown on Schedule B-1, the Company proposes \$98,622 for working capital. The Company's proposal is derived based on the formulaic method, instead of the generally preferred lead-lag study.

Q. Is Staff opposed to the Company's use of the formulaic method for deriving its proposed working capital allowance?

A. No. In past proceedings, small utility companies, such as Mt. Tipton, have argued that a lead-lag study is overly complicated and cost prohibitive.

1 **Q. Has Staff adopted the use of formulaic method in deriving its recommended working**
2 **capital in this proceeding?**

3 A. Yes. Staff's calculation shown on Schedule AII-9, result in Rate Base Adjustment No. 5
4 which reduces the Company's proposed working capital by \$6,368, from \$98,622 to
5 \$92,254. This adjustment reflects the impact of Staff's adjusted operating expenses on
6 cash working capital.

7
8 **Q. What is Staff recommending for working capital allowance in this proceeding?**

9 A. Staff recommends a working capital allowance of \$92,254.

10
11 **OPERATING INCOME**

12 *Revenues*

13 **Q. Please summarize the Company's test year Operating Income.**

14 A. The Company reports an adjusted test year operating loss of \$17,643.

15
16 **Q. What is Staff's adjusted test year operating income?**

17 A. Staff has determined that the Company's test year operating loss is \$9,611, \$8,031 less
18 than the Company's reported test year results. The difference between Staff's adjusted
19 test year operating loss and the Company's filed test year operating loss is attributable to
20 the following adjustments.

21
22 **EXPENSES**

23 *Operating Income Adjustment No. 1 – Purchased Power*

24 **Q. What is the Company reported Purchased Power expense?**

25 A. The Company reports \$93,529 of purchased power expense.

1 **Q. Did the Company provide adequate support for its reported purchased power**
2 **expense?**

3 A. Yes.
4

5 **Q. Why is Staff proposing an adjustment to purchased power expense?**

6 A. Staff's recommended adjustment to purchased power expenses is intend to account for the
7 Company's water loss in excess of the maximum allowable non-account water loss of 10
8 percent. As fully, discussed on page 6 of Engineering Report presented by Staff Witness,
9 Dorothy Hains, the Company was required by Commission Decision No. 67162 to reduce
10 its non-account water loss to 10 percent. Staff has determined that the Company's water
11 loss was approximately 23 percent at the end of the test year.
12

13 **Q. Did the Company incur costs associated with excess water loss?**

14 A. Yes. Primarily, the Company incurs pumping power cost for its pumped water, including
15 excess water loss. Also, labor costs could be incurred for managing excess water loss.
16 Staff finds that it is inappropriate for the Commission to allow the Company to recover
17 such costs from the ratepayers, given that the Commission has afforded Mt. Tipton with
18 ample opportunity to effectively manage its excess water loss.
19

20 **Q. Please explain Staff's adjustment to purchased power expense.**

21 A. Staff's adjustment to purchased power expense is calculated based on water loss in excess
22 of the maximum allowable non-account water loss of 10 percent. As demonstrated on
23 page 6 of Engineering Report and Schedule AII-12, the Company's test water loss was
24 22.79 percent, of which 12.79 percent is in excess of maximum allowable non-account
25 water loss. Staff's Operating Income Adjustment No. 1 disallows 12.79 percent of test
26 year purchased power expense.

1 **Q. What is Staff's recommended adjustment to purchased power expense?**

2 A. As shown on Schedule AII-12, Staff recommends an adjustment of \$4,722 to test year
3 purchased power expense to account for excess water loss.

4

5 **Q. Please state Staff's recommended purchased power expense.**

6 A. Staff recommends \$32,204 for purchased power expense, \$4,722 less than the Company's
7 proposal.

8

9 *Operating Income Adjustment No. 2 – Repairs & Maintenance*

10 **Q. Please state the Company's reported repairs and maintenance expense.**

11 A. As shown on Schedule C-1, the Company reports \$14,364 of test year repairs and
12 maintenance expense. This amount includes \$4,500 related to cleaning one of the
13 Company's well casing.

14

15 **Q. Did Staff find that the Company's reported cost of cleaning its well casing is a
16 recurring expense?**

17 A. No. Staff has determined that the cost of cleaning well casing is not an annual cost, and
18 thus non-recurring. In instances when necessary cost of service is determined not to be an
19 annual recurring cost, such cost are normalized over a reasonable period for which it
20 provides economic benefit to the rate payers. Based on this premise, Staff concludes that
21 it is reasonable to normalize the Company's reported cost for cleaning its well casing over
22 three years.

23

24 **Q. What is Staff recommending regarding the cost of cleaning chamber well?**

25 A. As shown on Schedule AII-13, Operating Income Adjustment No. 2, Staff recommends a
26 normalized annual cost of \$1,500, \$3,000 less than the Company's proposal. Staff's

1 recommended adjustment to reduce repairs and maintenance expense by \$3,000
2 normalizes the cost of cleaning its well casing over three years.

3
4 **Q. Please state Staff's recommendation for repairs and maintenance.**

5 A. Staff recommends \$11,364 for repairs and maintenance, \$3,000 less than the Company's
6 reported cost.

7
8 *Operating Income Adjustment No. 3 – Water Testing Expense*

9 **Q. Please state the Company's proposed water testing expense.**

10 A. The Company proposes \$3,716 for water testing expense.

11
12 **Q. Is the Company required to participate in MAP?**

13 A. Yes. Because Mt. Tipton serves less than 10,000 connections, it is subject to mandatory
14 participation in ADEQ MAP.

15
16 **Q. Did Staff review the appropriateness of the Company reported water testing
17 expense?**

18 A. Yes. As fully discussed on page 4, Section F of Engineering Report, Staff has analyze
19 costs related to the Company's participation in MAP. Staff's review indicates that the
20 Company's reported test year water testing costs is understated. Staff finds that based on
21 MAP's parameters for determining appropriate water testing costs, the Company's annual
22 water testing cost is estimated to be \$6,689.

1 **Q. Is Staff recommending adoption of its calculated MAP water testing cost in this**
2 **proceeding?**

3 A. Yes. As shown on Schedule AII-14, Operating Income Adjustment No. 3, Staff
4 recommends an increases of \$2,973 to water testing expense.
5

6 **Q. What is Staff recommending for water testing expense in this proceeding?**

7 A. Staff recommends \$6,689 for water testing expense.
8

9 *Operating Income Adjustment No. 4 – Insurance – General Liability*

10 **Q. What is the Company proposing for insurance cost in this proceeding.**

11 A. The Company is requesting recovery of \$22,503 incurred for general liability insurance
12 during the test year.
13

14 **Q. Is it normal for a utility to incur such a high cost for general liability insurance?**

15 A. No. A Company representative informed Staff that its policy was unduly high because of
16 a liability claim made against the Company. However, the Company has procured a new
17 policy at a more reasonable rate subsequent to the test year end.
18

19 **Q. Has the Company provided proof of its new insurance policy and the related costs?**

20 A. Yes. In its response to Staff's Data Request AII 6-7, Mt. Tipton stated that it recently
21 procured general liability insurance from American Alternative Insurance Corporation
22 ("AAIC"), at an annual cost of \$8,985.
23

1 **Q. Is Staff recommending an adjustment to reflect the annual cost of the Company's**
2 **new policy?**

3 A. Yes. As shown on Schedule AII-15, Operating Income Adjustment No. 4 reduces test year
4 general liability insurance cost by \$13,518. This adjustment reduces test year expense to
5 the cost of the Company's new insurance policy.

6
7 **Q. What is Staff recommending for insurance expense?**

8 A. Staff recommends \$8,985 for general liability insurance expense.

9
10 *Operating Income Adjustment No. 5 – Depreciation and Amortization Expense*

11 **Q. What is the Company's proposed depreciation and amortization expense?**

12 A. The Company proposes \$35,273 for depreciation and amortization expense.

13
14 **Q. Did Staff re-calculate the Company's depreciation and amortization expense?**

15 A. Yes. As shown on Schedule AII-16, Staff has recalculated the Company's depreciation
16 expense by multiplying Staff adjusted test year end depreciable UPIS and Commission
17 approved depreciations rates. Staff's recalculation results in depreciation and amortization
18 expense of \$49,695, \$14,422 higher than the Company's reported depreciation and
19 amortization expense.

20
21 **Q. Please explain the difference between Staff's recommended and Company proposed**
22 **depreciation and amortization expense.**

23 A. Staff employed the same methodology and depreciation rates utilized by the Company in
24 calculating its reported depreciation and amortization expense. Because the Company's
25 plant balances were inadvertently understated in its filing, its reported depreciation and

1 amortization expense was understated. A secondary factor, relates to Staff's application
2 of 3.17 percent (composite depreciation rate) in the amortization of CIAC.

3
4 **Q. Is Staff recommending an adjustment to depreciation and amortization expense?**

5 A. Yes. As shown on Schedule AII-16, Operating Income Adjustment No. 5, increases test
6 year cost by \$14,422. This adjustment increases test year depreciation and amortization
7 expense from \$35,273 to \$49,695.

8
9 **Q. Please state Staff's recommendation for depreciation expense?**

10 A. Staff recommends \$49,695 for depreciation and amortization expense.

11
12 *Operating Income Adjustment No. 6 – Property Tax Expense*

13 **Q. What is the Company proposing for property expense?**

14 A. The Company reports \$17,019 for test year property tax expense.

15
16 **Q. Has Staff recalculated property tax expense based on the Arizona Department of
17 Revenue ("ADOR") Centrally Assessed Properties Value method?**

18 A. Yes.

19
20 **Q. Does the ADOR's method provide an acceptable basis for determination of property
21 taxes in Arizona?**

22 A. Yes. Staff employs an adaptation of ADOR's method for calculating property tax
23 expense. As shown on Schedule AII-17, Staff has utilized this method and an assessment
24 ratio of 21.00 percent for calculating Mt. Tipton's property taxes.

1 **Q. Did Staff recalculation result in a different property tax expense that the Company**
2 **reported test year cost?**

3 A. Yes. As shown on Schedule AII-17, Operating Income Adjustment No. 6, Staff's
4 recalculated test year property tax expense is \$13,214, \$3,805 less than the Company's
5 reported cost. This adjustment results in a decrease of test year property tax expense from
6 \$17,019 to \$13,214.

7
8 **Q. What is Staff's recommending for property tax expense?**

9 A. Staff recommends \$13,214 for test year property tax expense.
10

11 *Operating Income Adjustment No. 7 – Franchise Tax*

12 **Q. Did the Company propose recovery of franchise tax in its filing?**

13 A. Yes. The Company states that Mohave County accesses it a 2.00 percent franchise tax on
14 gross revenue.
15

16 **Q. Did Staff recalculate the Company's test year franchise tax expense?**

17 A. Yes. Staff recalculated the Company's franchise tax expense based on its test year
18 adjusted total operating revenues. Staff's recalculation results in \$5,890 of franchise tax
19 expense, \$381 less than the Company's reported test year cost.
20

21 **Q. Is Staff proposing any adjustment to test year franchise tax expense?**

22 A. Yes. As shown on Schedule AII-18, Staff's Operating Income Adjustment No. 7, reduces
23 test year franchise tax expense by \$381.
24

25 **Q. Please state Staff's recommendation for franchise tax expense.**

26 A. Staff recommends \$5,890 for test year franchise tax expense.

RATE DESIGN

Q. Please describe the structure of the Company's current rate design

A. The Company's current rate structure is tiered, with three tiers for 5/8 x 3/4-inch meter and 3/4-inch meter; and two tiers for the larger meter sizes. The current rate design consists of three commodity rates for customers on 5/8 x 3/4-inch meter and 3/4-inch meter. The second tier and third-tier commodity rates for 5/8 x 3/4-inch meter are assessed as the first tier and second-tier commodity rates for meters larger than 1-inch meter.

Mt. Tipton currently charges third tier commodity rate for bulk water sales, and 25 cents per 58-gallons for water sold through its vending machine. It proposes to reconfigure the quantity of water sold through its vending machine from \$0.25 per 58-gallons to \$0.25 per 40-gallons. This proposal is predicated on the Company's observed customer difficulty associated with dispensing 58-gallons to customers' smaller containers. As a result, customers have been observed to turn off the vending machine before it dispenses 58 gallons, thus resulting in waste. The Company's proposal to reconfigure its vending machine to 40-gallons will eliminate difficulties associated with its current tariff of \$0.25 per 58-gallons.

Q. Please describe the Company's proposed rate design in this proceeding.

A. Mt. Tipton is proposing to retain its current rate structure and rate design in this proceeding. However, the Company proposes to reconfigure its water sales through its vending machine from \$0.25 per 58-gallons to \$0.25 per 40-gallons. This proposal is predicated on the Company's observation that its customers' water containers hold less than 58-gallons.

1 The Company proposed rate design results in an increase in the monthly bill of a
2 residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-
3 gallons from \$24.65 to \$31.84, an increase of \$7.19 or 29.2 percent.

4
5 **Q. Is the Company proposing any modification to its current service charges and service**
6 **line and meter installation charges?**

7 A. Yes. Mt. Tipton is proposing increases to its current service charges and service line and
8 installation charges to reflect prevailing costs of services. Its proposed service line and
9 meter installation charge for each meter size is identical to Staff's recommendation in this
10 proceeding.

11
12 **Q. Please comment on the Company's rate design.**

13 A. Its current and proposed rate design is comprised of high break-over for 1-inch meter and
14 larger sized meters. For example, the first-tier break-over for 1-inch meter is 25,000-
15 gallons. During the test year, the average and median usage by customers on 1-inch meter
16 were at 9,792-gallons and 9,750-gallons, respectively. Staff has determined that such
17 disparity between break-over points and actual consumption levels do not engender
18 efficient use of water. Because the consumption patterns of larger sized meters are not
19 materially different than that of 5/8 x 3/4-inch meter, Staff is recommending a three-tiered
20 rate structure, with the same break-over of 4,000-gallons for the first-tier; 9,000-gallons
21 for the second-tier; and over 9,000-gallons for the third-tier; for all meter sizes. Staff
22 recommends Commission approval of its reconfigured rate structure to encourage efficient
23 use of water. Further, Staff recommends adoption of the company's proposal to
24 reconfigure its vending machine tariff from \$0.25 per 58-gallons to \$0.25 per 40-gallons.

1 Also, Staff found that the Company's current and proposed monthly minimum charges
2 yield over 60 percent of its test year and proposed revenues. In this instance, Mt. Tipton's
3 current rate structure is inadvertently skewed to generate less revenue from water sales,
4 therefore, does not promote efficient water use.

5
6 **Q. Is Staff recommending adoption of the Company's proposed rate structure?**

7 A. In part, yes. Staff recommends adoption of the Company's proposed change to its
8 vending machine tariff.

9
10 **Q. Has Staff recommended any modification to the Company's proposed rates?**

11 A. Yes. Staff recommends that the Commission retain the Company's current monthly
12 minimum charges for the reasons previously discussed above. In other words, Staff is
13 recommending that its recommended rate increase be assessed through the Company's
14 commodity rates, to derive more revenue from the commodity rates. Staff's
15 recommendation generates 50 percent of Staff's recommended revenue requirement from
16 both monthly minimum charges and commodity rates.

17
18 **Q. What is the impact of Staff's recommended rate design of a residential customer with
19 a median consumption?**

20 A. Staff's recommended rate design will increase the monthly bill of a residential customer
21 on a 5/8 x 3/4-inch meter with a median consumption of 2,305-gallons from \$24.65 to
22 \$27.30, an increase of \$2.65 or 10.8 percent.

1 **RECOMMENDATIONS**

2 **Q. Please state Staff's recommendations in this proceeding.**

3 **A. Staff recommends that the Commission approve its recommended rates and charges in this**
4 **proceeding.**

5
6 Staff recommends that the rates and charges approved by the Commission in this
7 proceeding not become effective until the Mt. Tipton demonstrate that its water loss is less
8 than 10 percent and it is in full compliance with Decision No. 67162.

9
10 Staff recommends that the Company adopt its recommended depreciation rates by
11 individual National Association of Regulatory Commissioners Association plant category,
12 depicted on Figure 5 of Engineering Report.

13
14 Staff recommends that the Company's emergency interim surcharge be discontinued on
15 December 31, 2010 or on the effective date of the decision in this proceeding, whichever
16 comes first.

17
18 **Q. Does this conclude your Testimony?**

19 **A. Yes.**

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

Schedule All-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 588,112	\$ 588,112	\$ 569,275	\$ 569,275
2	Adjusted Operating Income (Loss)	\$ (17,643)	\$ (17,643)	\$ (9,611)	\$ (9,611)
3	Current Rate of Return (L2 / L1)	-3.00%	-3.00%	-1.69%	-1.69%
4	Required Rate of Return	10.00%	10.00%	8.39%	8.39%
5	Required Operating Income (L1 * L4)	\$ 58,811	\$ 58,811	\$ 47,787	\$ 47,787
6	Operating Income Deficiency (L5 - L2)	\$ 76,454	\$ 76,454	\$ 57,398	\$ 57,398
7	Gross Revenue Conversion Factor	1.0204	1.0204	1.0363	1.0363
8	Required Revenue Increase (L7 * L6)	\$ 78,014	\$ 78,014	\$ 59,482	\$ 59,482
9	Adjusted Test Year Revenue	\$ 294,493	\$ 294,493	\$ 294,493	\$ 294,493
10	Proposed Annual Revenue (L8 + L9)	\$ 372,506	\$ 372,506	\$ 353,975	\$ 353,975
11	Required Increase in Revenue (%)	26.49%	26.49%	20.20%	20.20%

References:

Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules All-2, All-3 and All-8

Wilson Tipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Attachment Schedule All-2

FINANCIAL ANALYSIS

CALCULATION OF FINANCIAL INDICES

	[A]
1 Operating Income	\$ 47,787
2 Depreciation & Amort.	49,695
3 Income Tax Expense	0
4	
5 Interest Expense	24,329
6 Repayment of Principal	53,340
7	
8	
9 TIER	
10 [1+3] ÷ [5]	1.96
11 DSC	
12 [1+2+3] ÷ [5+6]	1.26
13	
14	
15	
16	
17	
18 Short-term Debt	\$0
19	
20 Long-term Debt	\$917,387
21	
22 Common Equity	(\$364,892)
23	
24 Total Capital	\$552,495
25	
26	
27	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 1,727,581	\$ 189,160	\$ 1,916,741
2	Less: Accumulated Depreciation	1,147,977	64,696	1,212,673
3	Net Plant in Service	\$ 579,604	\$ 124,464	\$ 704,068
	<u>LESS:</u>			
4	Net Contribution in Aid of Construction (CIAC)	\$ 67,502	\$ -	\$ 67,502
6	Advances in Aid of Construction (AIAC)	22,612	\$ 121,992	\$ 144,604
8	Customer Deposits	-	\$ 14,940	\$ 14,940
10	Total Deductions	\$ 90,114	136,932	\$ 227,046
	<u>ADD:</u>			
11	Allowance for Working Capital	\$ 98,622	(6,368)	92,254
12	Deferred Income Taxes	-	\$ -	-
13	Total Additions	\$ 98,622	(6,368)	\$ 92,254
14	Original Cost Rate Base	\$ 588,112	\$ (18,837)	\$ 569,275

References:

Column [A], Company Response of Staff DR All 4-1 and Schedule B-1

Column [B]: Column [C] - Column [A], Schedule All-4

Column [C]: Schedule All-4, Company Response of Staff DR All 4-1, All 4-2, All 4-4, All 7-1, All 7-2

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(D) ADJ #1	(D) ADJ #2	(E) ADJ #3	(F) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) STAFF ADJUSTED
1	PLANT IN SERVICE								
2	Intangible Plant								
3	Organization	\$ 17,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,450
4	Franchises	500	-	-	-	-	-	-	500
5	Land & Land Rights	9,842	-	-	-	-	-	-	9,842
6	Subtotal Intangible	\$ 27,792	-	-	-	-	-	-	\$ 27,792
7	Source of Supply								
8	Structures & Improvements	\$ 82,684	(27,295)	-	-	-	-	-	\$ 55,389
9	Collecting and Impounding Res.	-	-	-	-	-	-	-	-
10	Lake River and Other Intakes	-	-	-	-	-	-	-	-
11	Wells and Springs	471,335	(11,381)	-	-	-	-	-	459,954
12	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
13	Supply Mains	-	-	-	-	-	-	-	-
14	Power Generating Equipment	-	-	-	-	-	-	-	-
15	Electric Pumping Equipment	25,923	48,885	-	-	-	-	-	74,808
16	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-
17	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-
18	Subtotal Source of Supply	\$ 579,942	\$ 10,209	-	-	-	-	-	\$ 590,151
19	Water Treatment								
20	Water Treatment Equipment	\$ -	-	-	-	-	-	-	-
21	Solution Chemical Feeders	\$ 53,075	-	-	-	-	-	-	53,075
22	Structures & Improvements	-	-	-	-	-	-	-	-
23	Other Power Production	-	-	-	-	-	-	-	-
24	Electric Pumping Equipment	-	-	-	-	-	-	-	-
25	Diesel Pumping Equipment	-	-	-	-	-	-	-	-
26	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-
27	Subtotal Water Treatment	\$ 53,075	-	-	-	-	-	-	\$ 53,075
28	Transmission & Distribution								
29	Distribution Reservoirs & Standpipe	\$ 166,480	56,881	-	-	-	-	-	\$ 223,341
30	Transmission and Distribution Mains	685,818	109,500	-	-	-	-	-	795,318
31	Services	69,633	(2,440)	-	-	-	-	-	67,193
32	Meters	59763	29,674	-	-	-	-	-	89,437
33	Storage Tank	-	-	-	-	-	-	-	-
34	Hydrants	1,230	-	-	-	-	-	-	1,230
35	Backflow Prevention Devices	-	-	-	-	-	-	-	-
36	Other Plant and Miscellaneous Equipment	998	-	-	-	-	-	-	998
37	Subtotal Transmission & Distribution	\$ 983,922	193,595	-	-	-	-	-	\$ 1,177,517
38	General Plant								
39	Office Furniture and Equipment	19,856	(1,360)	-	-	-	-	-	\$ 18,496
40	Computer & Peripheral Equip.	-	5,686	-	-	-	-	-	5,686
41	Computer and Software	-	-	-	-	-	-	-	-
42	Transportation Equipment	33,671	-	-	-	-	-	-	33,671
43	Stores Equipment	-	-	-	-	-	-	-	-
44	Tools and Work Equipment	6,985	(6,471)	-	-	-	-	-	514
45	Laboratory Equipment	-	-	-	-	-	-	-	-
46	Power Operated Equipment	167	-	-	-	-	-	-	167
47	Communications Equipment - Non-Telephone	-	-	-	-	-	-	-	-
48	Communications Equipment - Telephone	-	-	-	-	-	-	-	-
49	Communications Equipment - Other	-	-	-	-	-	-	-	-
50	Miscellaneous Equipment	8,464	-	-	-	-	-	-	8,464
51	Other Tangible Plant	13,707	(12,499)	-	-	-	-	-	1,208
52	Plant Held for Future Use	-	-	-	-	-	-	-	-
53	Subtotal General Plant	\$ 82,850	(14,644)	-	-	-	-	-	\$ 68,206
54	Total Plant in Service	\$ 1,727,581	\$ 189,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,916,741
55	Less: Accumulated Depreciation	1,147,977	-	64,696	-	-	-	-	\$ 1,212,673
56	Net Plant in Service (LS1 - LS3)	\$ 579,604	\$ 189,160	\$ (64,696)	\$ -	\$ -	\$ -	\$ -	\$ 704,068
57	LESS:								
58	Net Contributions in Aid of Construction (CIAC)	67,502	-	-	-	-	-	-	67,502
59	Imputed Regulatory Contributions	-	-	-	-	-	-	-	-
60	Advances in Aid of Construction (AIAC)	22,612	-	-	121,992	-	-	-	144,604
61	Imputed Regulatory Advances	-	-	-	-	-	-	-	-
62	Customer Meter Deposits	-	-	-	-	14,940	-	-	14,940
63	Investment Tax Credits	-	-	-	-	-	-	-	-
64	Deferred Income Tax Credits (Debits)	-	-	-	-	-	-	-	-
65	Total Deductions	\$ 90,114	-	-	121,992	14,940	-	-	\$ 227,046
66	ADD:								
67	Allowance for Working Capital	98,622	-	-	-	(6,368)	-	-	92,254
68	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
69	Total Additions	\$ 98,622	-	-	-	(6,368)	-	-	\$ 92,254
70	Original Cost Rate Base	\$ 588,112	\$ 189,160	\$ (64,696)	\$ (121,992)	\$ (14,940)	\$ (6,368)	\$ -	\$ 569,275

ADJ #	Description	Schedule
1	Gross Utility Plant in Service	Schedule All-5
2	Accumulated Depreciation	Schedule All-6
3	Advances-in-Aid of Construction	Schedule All-7
4	Customer Deposits	Schedule All-8
5	Allowance for Working Capital	Schedule All-9

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

~~Mount Tipton Water Company, Inc.~~
~~Docket No. W-02105A-09-0522~~
~~Test Year Ended June 30, 2009~~

RATE BASE ADJUSTMENT NO. 1 - GROSS UTILITY PLANT IN SERVICE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Gross Utility Plant in Service	<u>\$ 1,727,581</u>	<u>\$ 189,160</u>	<u>\$ 1,916,741</u>

REFERENCES:

Column [A]: Company Schedule B-1

Column [B]: Testimony All, Company's Responses to Staff DRs All 4-1 & All 7-1

Column [C]: Column [A] + Column [B]

~~Mount Pleasant Water Company, Inc.~~

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	<u>\$ 1,147,977</u>	<u>\$ 64,696</u>	<u>\$ 1,212,673</u>
2				
3				
4	<u>Calculation of Accumulated Depreciation</u>			
5				
6	Balance Per Decision No. 67162			\$ 867,033
7	Depreciation Expense - 2003		\$ 63,943	
8	Depreciation Expense - 2004		\$ 64,099	
9	Depreciation Expense - 2005		\$ 55,118	
10	Depreciation Expense - 2006		\$ 51,633	
11	Depreciation Expense - 2007		\$ 54,727	
12	Depreciation Expense - June 30, 2008		\$ 28,421	
13	Depreciation Expense - July 1, 2008 - June 30, 2009		\$ 59,172	
14				\$ 377,112
15	Plant Retirement - 2004		\$ (6,393)	
16	Plant Retirement - 2006		\$ (22,184)	
17	Plant Retirement - July 1, 2008 - June 30, 2009		<u>\$ (2,895)</u>	\$ (31,472)
18				
19				
20	Total Accumulated Depreciation			<u>\$ 1,212,673</u>

REFERENCES:

Column [A]: Company Schedule B-1 & B-2

Column [B]: Testimony All, Company's Response to DR All 7-2

Column [C]: Column [A] + Column [B]

Mount Tipton Water Company, Inc.

Schedule All-7

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

RATE BASE ADJUSTMENT NO. 3 - ADVANCES-IN-AID OF CONSTRUCTION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Advances-in-Aid of Construction	\$ 22,612	\$ 121,992	\$ 144,604

REFERENCES:

Column [A]: Company Schedule B-1

Column [B]: Testimony All & , Company Response to Staff DR All 4-3

Column [C]: Column [A] + Column [B]

Mount Tipton Water Company, Inc.

Schedule All-8

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Customer Deposits	\$ -	\$ 14,940	\$ 14,940

REFERENCES:

Column [A]: Company Schedule B-1

Column [B]: Testimony All & Company response to Staff DR All 4-4

Column [C]: Column [A] + Column [B].

Mount Tipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule W-5

RATE BASE ADJUSTMENT NO. 5 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Working Capital	\$ 98,622	\$ (6,368)	\$ 92,254

Calculation of Working Capital

Purchahsed Water	4,109	
Purchased Power	32,204	
Total	36,313	
1/24th of Purchased Power/Water		1,513
Operating & Maintenace Expense	186,454	
1/8th of Operating & Maintenace Expense		23,307
Prepayments by Company - Schedule E-1		67,434
Staff recommmeded Working Capital		92,254

REFERENCES:

Column [A]: Company Schedule B-1

Column [B]: Testimony, All

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS FILED ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<u>REVENUES:</u>						
1	Metered Water Sales	\$ 270,419	\$ -	\$ 270,419	\$ 50,604	\$ 321,023
2	Other Operating Revenue	7,324	-	7,324	-	7,324
3	Coin-Operated Revenue	16,650	-	16,650	8,878	25,528
4	Unmetered Water Revenue	100	-	100	-	100
5	Total Operating Revenues	294,493	-	294,493	59,482	353,975
<u>OPERATING EXPENSES:</u>						
7	Salaries & Wages	93,529	-	93,529	-	93,529
8	Purchased Water	4,109	-	4,109	-	4,109
9	Purchase Power	36,926	(4,722)	32,204	-	32,204
10	Chemicals	-	-	-	-	-
11	Repairs & Maintenance	14,364	(3,000)	11,364	-	11,364
12	Office Supplies Expenses	14,376	-	14,376	-	14,376
13	Outside Services	7,155	-	7,155	-	7,155
14	Water Testing	3,716	2,973	6,689	-	6,689
15	Rent Expense	6,582	-	6,582	-	6,582
16	Transportation Expense	9,746	-	9,746	-	9,746
17	Insurance - General Liability	22,503	(13,518)	8,985	-	8,985
18	Insurance - Health & Life	-	-	-	-	-
19	Regulatory Expense	6,667	-	6,667	-	6,667
20	Miscellaneous Expense	21,361	-	21,361	-	21,361
21	Depreciation & Amortization	35,273	14,422	49,695	-	49,695
22	Property Taxes	17,019	(3,805)	13,214	894	14,108
23	Taxes Other Than Income	12,538	-	12,538	-	12,538
24	Franchise Taxes	6,271	(381)	5,890	1,190	7,080
25	Income Taxes	-	-	-	-	-
26	Total Operating Expenses	\$ 312,135	\$ (8,031)	\$ 304,104	\$ 2,084	\$ 306,188
27	Operating Income (Loss)	\$ (17,642)	\$ 8,031	\$ (9,611)	\$ 57,398	\$ 47,787

References:

Column (A): Company Schedule C-1

Column (B): Schedule All-9

Column (C): Column (A) + Column (B)

Column (D): Schedules All-1 and All-2

Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] STAFF ADJUSTED
<u>REVENUES:</u>										
1	Metered Water Sales	270,419	-							270,419
2	Other Operating Revenue	7,324								7,324
3	Coin-Operated Revenue	16,650								16,650
4	Unmetered Water Revenue	100								100
5	Total Operating Revenues	294,493	-	-	-	-	-	-	-	294,493
6										
<u>OPERATING EXPENSES:</u>										
8	Salaries & Wages	93,529								93,529
9	Purchased Water	4,109								4,109
10	Purchase Power	36,926	(4,722)							32,204
11	Chemicals	-								-
12	Repairs & Maintenance	14,364		(3,000)						11,364
13	Office Supplies Expenses	14,376								14,376
14	Outside Services	7,155								7,155
15	Water Testing	3,716			2,973					6,689
16	Rent Expense	6,582								6,582
17	Transportation Expense	9,746								9,746
18	Insurance - General Liability	22,503				(13,518)				8,985
19	Insurance - Health & Life	-								-
20	Regulatory Expense	6,667								6,667
21	Miscellaneous Expense	21,361								21,361
22	Depreciation & Amortization	35,273					14,422			49,695
23	Property Taxes	17,019						(3,805)		13,214
24	Taxes Other Than Income	12,538								12,538
25	Franchise Taxes	6,271							(381)	5,890
26	Income Taxes	-								-
27	Total Operating Expenses	312,135	(4,722)	(3,000)	2,973	(13,518)	14,422	(3,805)	(381)	304,104
28	Operating Income (Loss)	(17,642)	4,722	3,000	(2,973)	13,518	(14,422)	3,805	381	(9,611)

ADJ #	DESCRIPTION	REFERENCES	ADJ #	DESCRIPTION	REFERENCES
1	Purchased Power	Schedule AII-12	7	Franchise Tax	Schedule AII-18
2	Repairs & Maintenance	Schedule AII-13			
3	Water Testing	Schedule AII-14			
4	Insurance - General Liability	Schedule AII-15			
5	Depreciation & Amortization	Schedule AII-16			
6	Property Tax	Schedule AII-17			

Mount Tipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule All-12

OPERATING INCOME ADJUSTMENT NO. 1 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 36,926	\$ (4,722)	\$ 32,204
2	Total	\$ 36,926	\$ (4,722)	\$ 32,204
3				
4				
5	References:			
6	Column (A), Company Schedule C-2 & Workpapers			
7	Column (B): Testimony All & Schedule All-17 (Adj. #13/2)			
8	Column (C): Column (A) + Column (B)			
9				
10				
11	Calculation of cost of Purchased Power related to Excess Water Loss			
12				
13	Description	Gallons		Amount
14	Water Pumped	51,326,570		
15	Water Sold	39,630,460		
16	10% of Water Pumped (L14 * 10%)	5,132,657		
17	Water Sold Plus 10% (L15+L16)	44,763,117		
18	Excess Water Loss (L14-L17)	6,563,453		
19	Percentage of Excess Water Loss	12.79%		
20	(L18/L14)			
21	Purchased Power Expense			\$ 36,926
22	Purchased Power related to			
23	Excess Water Loss (L19*L21)			\$ 4,722

Mount Tipton Water Company, Inc.

Schedule All-12

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

OPERATING INCOME ADJUSTMENT NO. 1 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 36,926	\$ (4,722)	\$ 32,204
2	Total	<u>\$ 36,926</u>	<u>\$ (4,722)</u>	<u>\$ 32,204</u>
3				
4				
5				
6				
7	<u>Calculation of cost of Purchased Power related to Excess Water Loss</u>			
8				
9	<u>Description</u>	<u>Gallons</u>		<u>Amount</u>
10	Water Pumped	51,326,570		
11	Water Sold	39,630,460		
12	10% of Water Pumped (L14 * 10%)	5,132,657		
13	Water Sold Plus 10% (L15+L16)	<u>44,763,117</u>		
14	Excess Water Loss (L14-L17)	6,563,453		
15	Percentage of Excess Water Loss	12.79%		
16	(L18/L14)			
17	Purchased Power Expense			\$ 36,926
18	Purchased Power related to			
19	Excess Water Loss (L19*L21)			<u>\$ 4,722</u>
20				
21				
22	<u>References:</u>			
23	Column (A), Company Schedule C-1			
24	Column (B): Testimony All			
25	Column (C): Column (A) + Column (B)			

Mount Tipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule A-1

OPERATING INCOME ADJUSTMENT NO. 2 - REPAIRS & MAINTENANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Repairs & Maintenance	\$ 14,364	\$ (3,000)	11,364
2	Total	\$ 14,364	\$ (3,000)	\$ 11,364
3				
4				
5	<u>Amortization of cost of Clean Chamber Well</u>			
6				
7	Reported cost of Clean Chamber Well		\$ 4,500	
8	Amortized cost over three years		1500	
9	Staff adjustment		\$ (3,000)	
10				
11				
12	<u>References:</u>			
13	Column (A), Company Schedule C-1			
14	Column (B): Testimony All			
15	Column (C): Column (A) + Column (B)			

Mount Tipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule All-14

OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Water Testing Expense	\$ 3,716	\$ 2,973	6,689
2	Total	<u>\$ 3,716</u>	<u>\$ 2,973</u>	<u>\$ 6,689</u>

3

4

5

6 References:

7 Column (A), Company Schedule C-2

8 Column (B): Testimony All & Staff Engineering Table 2, Page 4

9 Column (C): Column (A) + Column (B)

SUNRISE WATER COMPANY

Schedule All-15

Docket No. W-02069A-08-0406

Test Year Ended December 31, 2007

OPERATING INCOME ADJUSTMENT NO. 4 - GENERAL LIABILITY INSURANCE

LINE		COMPANY	STAFF	STAFF
NO.	DESCRIPTION	PROPOSED	ADJUSTMENTS	RECOMMENDED
1	General Liability Insurance	\$ 22,503	\$ (13,518)	\$ 8,985
2	Total	\$ 22,503	\$ (13,518)	\$ 8,985

References:

Column (A), Company Schedule C-1

Column (B): Testimony All (Column A - Column B)

Column (C): Company's Response to Staff DR All 6-7

OPERATING INCOME ADJUSTMENT NO. 5 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] AMOUNT	[B] DEPREC. RATE	[C] DEPREC. EXPENSE
1	301	Organization Costs	17,450	0.00%	-
2	302	Franchise Costs	500	0.00%	-
3	303	Land & Land Rights	9,842	0.00%	-
4	304	Structures & Improvements	55,389	3.33%	1,844
5	307	Wells & Springs	459,954	3.33%	15,316
6	311	Electric Pumping Equipment	74,808	12.50%	9,351
7	320	Water Treatment Equipment	-	-	-
8	320.1	Water Treatment Plants	-	-	-
9	320.2	Solutions & Feeders	53,075	20.00%	-
10	330	Distribution Reservoirs & Standpipes	-	-	-
11	330.1	Storage Tank	223,341	2.22%	4,958
12	330.2	Pressure Tanks	-	5.00%	-
13	331	Transmission & Distribution Mains	795,318	2.00%	15,906
14	333	Services	67,193	3.33%	2,238
15	334	Meters & Meter Installations	89,437	8.33%	7,450
16	335	Hydrants	1,230	2.00%	25
17	336	Backflow Prevention Devices	-	-	-
18	339	Other Plant & Misc. Equip.	998	6.67%	67
19	340	Office Furniture & Fixtures	18,496	6.67%	1,234
20	340.1	Computer & Software	5,686	20.00%	1,137
21	341	Transportation Equipment	33,671	20.00%	1,000
22	343	Tools, Shop & Garage Equipment	514	5.00%	26
23	344	Laboratory Equipment	-	10.00%	-
24	345	Power Operated Equipment	167	5.00%	8
25	345	Communications Equipment	-	10.00%	-
26	347	Miscellaneous Equipment	8,464	10.00%	-
27	348	Other Intangibles	1,208	10.00%	121
28					-
29		Total	1,916,741		60,681
30					
31		Contribution in Aid of Construction	\$ 347,002		
32		Composite Depreciation Rate	3.17%		
33		Amortization of CIAC	10,986		(10,986)
34					
35		Net Depreciation Expense			49,695
36		Company Reported Depreciation Expense			35,273
37		Staff Adjustment			14,422
38					
39					
40					
41		References:			
42		Column (A), Company Schedule C-1 & Workpapers			
43		Column (B): Testimony All			
44		Column (C): Column (A) + Column (B)			

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 294,493	\$ 294,493
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 588,986	\$ 588,986
4	Staff Recommended Revenue	294,493	353,975
5	Subtotal (Line 4 + Line 5)	\$ 883,479	\$ 942,961
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 294,493	\$ 314,320
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 588,986	\$ 628,641
10	Plus: 10% of CWIP		
11	Less: Net Book Value of Licensed Vehicles	3,000	3,000
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 585,986	\$ 625,641
13	Assessment Ratio	21.00%	21.00%
14	Assessment Value (Line 12 * Line 13)	\$ 123,057	\$ 131,385
15	Composite Property Tax Rate - Obtained from ADOR	10.73800%	10.73800%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 13,214	
17	Company Proposed Property Tax	17,019	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (3,805)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 14,108
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		13,214
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 894
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 894
23	Increase in Revenue Requirement		\$ 59,482
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.503320%

REFERENCES:

- 25 Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
 26 Line 17: Company Schedule C-1 Page 2
 27 Line 21: Line 19 - Line 20
 28 Line 23: Schedule All-1

Mount Tinton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule All-18

OPERATING INCOME ADJUSTMENT NO 7 - FRANCHISE TAX

LINE NO.	DESCRIPTION	COMPANY PROPOSED	STAFF ADJUSTMENT	STAFF RECOMMENDED
1	Franchise Tax	\$ 6,271	\$ (381)	\$ 5,890
2	Total	6,271	(381)	5,890

3

4

5 References:

6 Column (A), Company Schedule C-1 & Workpapers

7 Column (B): Testimony All

Column (C): Column (A) + Column (B)

Mount Hipton Water Company, Inc.

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2009

Schedule All-19

Calculation of Gross Revenue Conversion Factor

Billings		1.000000
Uncollectible Factor		<u>0.000000</u>
Revenues		1.000000
Less:		<u>0.000000</u>
Net Revenue		1.000000
Franchise Tax	2.00000%	
Property Tax	<u>1.50332%</u>	
Franchise Tax & Property Tax Rate (Line 12)		<u>0.035033</u>
Subtotal (L3 - L4)		0.964967
Revenue Conversion Factor (L1 / L5)		1.036305

References:

Column (A), Company Schedule C-2

Column (B): Testimony All & Schedule All-2

Column (C): Column (A) + Column (B)

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	\$ 19.00	\$ 26.00	\$ 19.00
3/4" Meter	\$ 28.50	\$ 39.00	\$ 28.50
1" Meter	\$ 47.50	\$ 70.00	\$ 47.50
1½" Meter	\$ 95.00	\$ 130.00	\$ 95.00
2" Meter	\$ 152.00	\$ 208.00	\$ 152.00
3" Meter	\$ 285.00	\$ 416.00	\$ 285.00
4" Meter	\$ 475.00	\$ 575.00	\$ 475.00
6" Meter	\$ 950.00	\$ 1,300.00	\$ 950.00
8" Meter	\$ 1,425.00	\$ 1,950.00	\$ 1,425.00

Commodity Rates

Staff Recommended Commodity Rates: (ALL METER SIZES)

Tier One Rate - (0 - 4,000 gallons)	\$ 3.60
Tier Two Rate - (4,001 - 9,000 gallons)	\$ 5.00
Tier Three Rate - (Over 9,000 gallons)	\$ 6.45

Company Current & Proposed Commodity Rates:

5/4 x 3/4-Inch Meter

Tier One Rate - (0 - 4,000 gallons)	\$ 2.45	\$ 2.53
Tier Two Rate - (4,001 - 9,000 gallons)	\$ 3.20	\$ 3.60
Tier Three Rate - (Over 9,000 gallons)	\$ 4.20	\$ 4.50

3/4-Inch Meter

Tier One Rate - (0 - 4,000 gallons)	\$ 2.45	\$ 2.53
Tier Two Rate - (4,001 - 15,000 gallons)	\$ 3.20	\$ 3.60
Tier Three Rate - (Over 15,000 gallons)	\$ 4.20	\$ 4.50

1-Inch Meter

Tier One Rate - (0 - 25,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 25,000 gallons)	\$ 4.20	\$ 4.50

1½-Inch Meter

Tier One Rate - (0 - 50,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 50,000 gallons)	\$ 4.20	\$ 4.50

2-Inch Meter

Tier One Rate - (0 - 125,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 125,000 gallons)	\$ 4.20	\$ 4.50

3-Inch Meter

Tier One Rate - (0 - 250,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 250,000 gallons)	\$ 4.20	\$ 4.50

4-Inch Meter

Tier One Rate - (0 - 400,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 400,000 gallons)	\$ 4.20	\$ 4.50

6-Inch Meter

Tier One Rate - (0 - 825,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 825,000 gallons)	\$ 4.20	\$ 4.50

8-Inch Meter

Tier One Rate - (0 - 1,250,000 gallons)	\$ 3.20	\$ 3.60
Tier Two Rate - (Over 1,250,000 gallons)	\$ 4.20	\$ 4.50

RATE DESIGN CONTINUED

Standpipe Commodity Rates

Bulk Sales (Per 1000 Gallons)	\$ 4.20	\$ 6.25	\$ 6.45
Vending Rate per 58-gallons	\$ 0.25		
Vending Rate per 40-gallons		\$ 0.25	\$ 0.25

Service Line and Meter Installation Charges	Present Rates	Company Proposed	-Staff Recommended-		
			Service Line Charge	Meter Installation	Total
5/8" x 3/4" Meter	\$438.00	\$600.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	\$462.00	\$700.00	\$ 445.00	\$ 255.00	\$ 700.00
1" Meter	\$562.00	\$810.00	\$ 495.00	\$ 315.00	\$ 810.00
1½" Meter	\$838.00	\$1,075.00	\$ 550.00	\$ 525.00	\$ 1,075.00
2" Meter Turbine	N/A	\$1,875.00	\$ 830.00	\$ 1,045.00	\$ 1,875.00
2" Meter Compound	\$1,094.00	\$2,720.00	\$ 830.00	\$ 1,890.00	\$ 2,720.00
3" Meter Turbine	N/A	\$2,715.00	\$ 1,045.00	\$ 1,670.00	\$ 2,715.00
3" Meter Compound	\$1,281.00	\$3,710.00	\$ 1,165.00	\$ 2,545.00	\$ 3,710.00
4" Meter Turbine	N/A	\$4,160.00	\$ 1,490.00	\$ 2,670.00	\$ 4,160.00
4" Meter Compound	\$3,375.00	\$5,315.00	\$ 1,670.00	\$ 3,645.00	\$ 5,315.00
6" Meter Turbine	N/A	\$7,235.00	\$ 2,210.00	\$ 5,025.00	\$ 7,235.00
6" Meter Compound	\$4,781.00	\$9,250.00	\$ 2,330.00	\$ 6,920.00	\$ 9,250.00
8" Meter Turbine	N/A	\$10,500.00	\$ 3,000.00	\$ 7,500.00	\$ 10,500.00
8" Meter Compound	\$5,000.00	\$11,200.00	\$ 3,200.00	\$ 8,000.00	\$ 11,200.00

Service Charges	Rates	Company Proposed	Staff Recommended
Establishment	\$ 25.00	\$ 30.00	\$ 25.00
Establishment (After Hours)	\$ 40.00	\$ 45.00	\$ 40.00
Reconnection (Delinquent)	\$ 40.00	\$ 45.00	\$ 40.00
Reconnection (After Hours)	\$ 40.00	\$ 45.00	\$ 40.00
Meter Test (If Correct)	\$ 40.00	\$ 40.00	\$ 40.00
NSF Check	\$ 15.00	\$ 25.00	\$ 20.00
Meter Re-Read (If Correct)	\$ 10.00	\$ 20.00	\$ 15.00
Deposit	*	*	*
Deposit Interest (Per Month)	*	**	**
Deferred Payment (Per Month)	**	**	N/A
Late Charge (Per Month)	**	**	
Re-Establishment (Within 12 Months)	***	***	***
Main Extension	N/A	Cost	Cost

Mount Tipton Water Company, Inc.

Docket No. W-01536A-09-0410

Test Year Ended December 31, 2008

Colorado A-1120

Page 3 of 3

RATE DESIGN CONTINUED

Monthly Service Charge for Fire Sprinkler	Present Rates	Company Proposed	Staff Recommended
4" or Smaller	N/A	****	*****
6"	N/A	****	*****
8"	N/A	****	*****
10"	N/A	****	*****
Larger than 10"	N/A	****	*****

* Per Commission Rule ACC R14-2-403(B)(7)

** Per Commission Rule ACC R14-2-403(B)(3)

*** Months off system times the monthly minimum AAC R14-2-403(D)

**** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

***** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Mount Tipton Water Company

Docket No. W-02105A-09-0522

Test Year Ended June 30, 2008

Schedule All-21

TYPICAL BILL ANALYSIS

General Service 5/8 x 3/4- Inch Meter Residential

Average Number of Customers: 680

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,552	\$27.70	\$35.00	\$7.30	26.4%
Median Usage	2,305	\$24.65	\$31.84	\$7.19	29.2%

<u>Staff Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,552	\$27.70	\$31.79	\$4.09	14.8%
Median Usage	2,305	\$24.65	\$27.30	\$2.65	10.8%

Present & Proposed Rates (Without Taxes) General Service 5/8 x 3/4- Inch Meter Residential

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$19.00	\$26.00	36.8%	\$19.00	0.0%
1,000	21.45	28.53	33.0%	22.60	5.4%
2,000	23.90	31.07	30.0%	26.20	9.6%
3,000	26.35	33.60	27.5%	29.80	13.1%
4,000	28.80	36.14	25.5%	33.40	16.0%
5,000	32.00	39.74	24.2%	38.40	20.0%
6,000	35.20	43.34	23.1%	43.40	23.3%
7,000	38.40	46.94	22.2%	48.40	26.0%
8,000	41.60	50.54	21.5%	53.40	28.4%
9,000	44.80	54.14	20.8%	58.40	30.4%
10,000	49.00	58.64	19.7%	64.85	32.3%
15,000	70.00	81.14	15.9%	97.10	38.7%
20,000	91.00	103.64	13.9%	129.35	42.1%
25,000	112.00	126.14	12.6%	161.60	44.3%
50,000	217.00	238.64	10.0%	322.85	48.8%
75,000	322.00	351.14	9.0%	484.10	50.3%
100,000	427.00	463.64	8.6%	645.35	51.1%
125,000	532.00	576.14	8.3%	806.60	51.6%
150,000	637.00	688.64	8.1%	967.85	51.9%
175,000	742.00	801.14	8.0%	1,129.10	52.2%
200,000	847.00	913.64	7.9%	1,290.35	52.3%

LEGAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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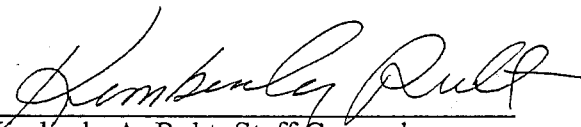
IN THE MATTER OF THE APPLICATION OF
MOUNT TIPTION WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES.

DOCKET NO. W-02105A-09-0522

STAFF'S NOTICE OF FILING DIRECT
TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony
of Alexander Ibhade Igwe and Dorothy Hains of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 2nd day of July 2010.


Kimberly A. Ruht, Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
2nd day of July, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

...

...



1 Copy of the foregoing mailed this
2 2nd day of July, 2010, to:

3 Steve Wene, Esq.
4 Moyes Sellers & Sims, Ltd.
5 1850 North Central Avenue
6 Suite 1100
7 Phoenix, Arizona 85004

8 Kayla Christine

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION)
OF MOUNT TIPTON WATER COMPANY,)
AN ARIZONA CORPORATION, FOR AN)
INCREASE IN ITS WATER RATES)
_____)

DOCKET NO. W-02105A-09-0522

SURREBUTTAL TESTIMONY

OF

ALEXANDER IBHADE IGWE, CPA

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 2, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
REVENUE REQUIREMENT	1
RATE BASE	2
<i>Customer Deposits</i>	2
<i>Working Capital Allowance</i>	4
OPERATING INCOME	4
<i>Revenues</i>	4
EXPENSES	5
<i>Purchased Power Expense</i>	5
<i>General Liability Insurance</i>	8
<i>Property Tax</i>	8
<i>Taxes Other Than Income</i>	9
<i>Franchise Tax</i>	10
RATE DESIGN	10
<i>Coin-Operated Standpipe</i>	10
<i>Rate Design Issue</i>	11
STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF MICHELLE MONZILLO.....	12

EXECUTIVE SUMMARY
MOUNT TIPTON WATER COMPANY
DOCKET NO. W-02105A-09-0522

Staff's Surrebuttal Testimony addresses the following issues raised in Mount Tipton Water Company's ("Mount Tipton" or "Company") Rebuttal Testimony.

Rate Base

Mount Tipton disagrees with Staff's recommendation to eliminate customer deposits from its rate base. The Company claims that because "customer deposits" is not specifically defined in the National Association of Regulatory Utility Commissioners ("NARUC") Uniform Systems of Accounts ("USoA"), it is inappropriate to treat customer deposits as a reduction to rate base. Staff's recommendation to eliminate customer deposits from rate base is an appropriate rate making adjustment because it precludes investors from earning a return on non-investors provided capital.

Operating Revenues

The Company proposes an annualized test year operating revenue that was derived from the customer count as of May 2010. Although revenue annualization is an acceptable ratemaking mechanism, the Company's proposal to annualize test year revenues based on a customer count eleven months outside the test year creates a mismatch. To rectify this mismatch, Staff has normalized test year revenues based on customer count at test year end.

Purchased Power

The Company has annualized its purchased power expense to reflect the impact of its annualized revenue on pumping power costs derived from the customer count as of May, 2010. This proposal is based on a flawed premise as discussed under operating revenues. Staff is recommending a reduced purchased power expense based on pumping cost related to serving test year end customer count.

The Company claims that Staff's recommendation to reduce pumping power cost by \$4,722 to account for purchased power expense related to its excess water loss is unfair. Further, the Company contends that its water loss was less than 10 percent in the first quarter of 2010. Staff's review of the Company's data indicates that its water loss is erratic and the data does not support the claim that it now suffers less than 10 percent water loss, as was ordered by the Commission in Decision No. 67162.

General Liability Insurance

Staff accepts the Company's revised general liability insurance expense, and the related adjustment to taxes other than income.

Property Tax Expense

The Company disagrees with the result of Staff's use of an adaptation of the Arizona Department of Revenue ("ADOR") methodology for calculating property tax expense. This method has been adopted by the Commission in water proceedings, for the last six years. Staff continues to recommend the use of this method for calculating property tax expense.

Rate Design

The Company contends that Staff's proposed rate design understates revenue derived from coin-operated standpipe. Staff has reviewed the Company's calculations and recommends adoption of the Company's proposal.

The Company proposes to recover a portion of its rate increase through an increase in monthly minimum charges. As fully discussed in Staff's Direct Testimony already under the Company's current rate design, a higher than normal percentage of its revenues comes from its monthly minimum charges. Staff continues to recommend recovery of its recommended rate increase through commodity rates. Staff's recommended rates and charges, are depicted on Schedule AII-12. Staff's recommendation will increase the monthly bill of a residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-gallons from \$24.65 to \$27.41, an increase of \$2.76 or 11.2 percent.

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington
4 Street, Phoenix, Arizona 85007.

5
6 **Q. Are you the same Alexander Ibhade Igwe who previously filed Direct Testimony in
7 this proceeding?**

8 A. Yes.

9
10 **Q. What is the purpose of your Surrebuttal Testimony?**

11 A. My Surrebuttal Testimony addresses issues raised by Mount Tipton Water Company ("Mt.
12 Tipton" or "Company") in its Rebuttal Testimony regarding Staff's recommendations on
13 revenue requirement, rate base and rate design.

14
15 **REVENUE REQUIREMENT**

16 **Q. Please summarize the Company's proposed revenue requirement in its Rebuttal
17 Testimony.**

18 A. The Company proposes a revised revenue requirement of \$373,817, an increase of
19 \$88,701 over its annualized test year revenues of \$285,116. The Company's proposal
20 results in an operating income of \$58,899 or a 10.00 percent rate of return on an Original
21 Cost Rate Base ("OCRB") of \$588,989.

22
23 **Q. Please state Staff's revised recommendation for revenue requirement.**

24 A. Staff recommends total operating revenue of \$355,785, an increase of \$61,738 over Staff
25 annualized test year operating revenues of \$293,646. Staff's recommendation results in an
26 operating income of \$47,527 or an 8.34 percent rate of return on Staff's adjusted OCRB of

1 \$569,673. As shown on Schedule AII-2, Staff's recommendation provides the Company
2 with a Times Interest Earned Ratio of 1.95 and a Debt Service Coverage of 1.25.

3
4 **RATE BASE**

5 **Q. Please state the Company's contention regarding Original Cost Rate Base.**

6 A. The Company's primary disagreement with Staff relates to its recommendation to
7 eliminate customer deposits from rate base. This issue is fully discussed below:

8
9 *Customer Deposits*

10 **Q. What is the Company's contention regarding Staff's treatment of customer deposits?**

11 A. The Company contends that it is inappropriate to reduce rate base by the balance of
12 customer deposits at test year end. This assertion is based on the Company's observation
13 that unlike Advances in Aid of Construction ("AIAC") and Contribution in Aid of
14 Construction ("CIAC"), "customer deposits" is not defined in the National Association of
15 Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USoA").
16 As a result, the Company concludes that Staff's adjustment to customer deposits from rate
17 base is unwarranted in rate proceedings. Further the Company argues that if customer
18 deposits were treated as a reduction to rate base, the interest component should be
19 eliminated from test year end balance as well.

20
21 **Q. Please comment on the Company's contention regarding Staff's recommendation to**
22 **reduce rate base by the balance of customer deposits at test year end.**

23 A. Staff's recommendation to decrease rate base by customer deposits is consistent with
24 sound rate making principles. As correctly stated by the Company's witness, Sonn
25 Rowell, on page 3, lines 15, of its Rebuttal Testimony, "A security deposit is money that

1 belongs to the customers, not the Company.” Staff’s adjustment correctly precludes the
2 Company’s investors from earning a rate of return on non-investor provided capital.
3

4 **Q. Please comment on the Company’s reliance on NARUC USoA in disagreeing with**
5 **Staff’s recommendation regarding customer deposits.**

6 A. The Company is mistaken in its assumption that it is improper to reflect any item that is
7 not specifically defined in the NARUC USoA. The NARUC USoA provides a general
8 guide as to what constitutes a proper accounting system or records for a utility. It does not
9 prescribe a specific ratemaking procedure for all regulatory commissions, as erroneously
10 alluded to by the Company. AIAC and CIAC have similar characteristics to customer
11 deposits, in that they are non-investor provided capitals. It is therefore appropriate to
12 eliminate customer deposits from rate base to avoid investors earning a rate of return on
13 customers provided capital.
14

15 **Q. What is Staff’s position regarding the Company’s request that accrued interest**
16 **should be eliminated from customer deposits treated as a reduction to rate base?**

17 A. This argument is flawed in that interest earned on the balance of customer deposits
18 increases non-investor provided capital in the Company’s operations. As previously
19 discussed, Staff’s adjustment eliminates all non-investor provided capital from rate base to
20 prevent the Company’s investors from earning a rate of return on such capital. This is a
21 standard ratemaking procedure that has been appropriately adopted by the Commission in
22 past proceedings.
23

24 **Q Is Staff recommending any revision its recommendation regarding customer**
25 **deposits?**

26 A. No. Staff continues to recommend elimination of customer deposits from rate base.

Working Capital Allowance

Q. Has Staff revised its calculation of working capital allowance?

A. Staff has revised its recommended working capital allowance to reflect the impact of Staff's adjustments to operating expenses.

Q. What is Staff recommending for working capital allowance?

A. As shown on Schedule AII-3 and AII-5, Staff recommends \$92,651, an increase of \$397 over Staff's recommendation in its Direct Testimony.

OPERATING INCOME

Revenues

Q Has the Company proposed any revision to its reported test year total operating revenue?

A. Yes. The Company has annualized its test year metered revenues based on customer count as of May 2010. This revision results in an annualized test year total operating revenue of \$285,116.

Q. Please comment on the Company's proposed annualization of test year operating revenues.

A. In general, revenue annualization is appropriate when a company did not maintain a consistent customer count during the twelve month period in its chosen test year. Thus, the purpose of revenue annualization is to establish test year operating revenue that is representative, had the Company maintained a constant customer count during the test year. In this proceeding, the Company's record indicates fluctuation of customer count over the twelve month period in its test year. However, Mt. Tipton has utilized the customer count as of May 2010, eleven months outside of its test year, for calculating the

1 Company proposed annualized operating revenues. This approach is inconsistent with the
2 matching principle, which requires that rate base, revenues and expenses be measured at
3 test year end.
4

5 **Q. Did Staff annualize the Company's test year operating revenue based on customer**
6 **count at test year end?**

7 A. Yes. Staff's recalculation results in an annualized test year operating revenue of
8 \$293,646, a decrease of \$847 to its Direct Testimony position. As shown on Schedule
9 AII-8, Staff's recommended annualized test year operating revenue is calculated based on
10 the Company's data, adjusted to reflect customer count at test year end.
11

12 **Q. Please state Staff's recommendation for test year total operating revenue.**

13 A. As shown on Schedules AII-6, Staff recommends \$293,646 for annualized test year total
14 operating revenue.
15

16 **EXPENSES**

17 *Purchased Power Expense*

18 **Q. Is the Company proposing a revision to its purchased power expense?**

19 A. Yes. The Company's test year revenue annualization results in a decrease in quantity of
20 pumped water, relative to test year end customer count. Accordingly, the Company has
21 decreased purchased power expense by \$1,000, to reflect a corresponding reduction to
22 pumping power cost.
23

1 **Q. Please comment on the Company's proposed adjustment to purchased power**
2 **expense.**

3 A. As previously discussed under section titled revenues, the Company employed customer
4 count as of May 2010 in calculating its revenue annualization. As a result, the Company's
5 adjustments to annualize its test year total operating revenue and the related purchased
6 power expense are inconsistent with sound ratemaking principles.

7
8 **Q. Did Staff recalculate the impact of revenue annualization of test year purchased**
9 **power expense?**

10 A. Yes. As shown on Schedule AII-9, Staff has annualized the Company's purchased power
11 expense based on pumping power cost necessary to serve test year end customer count.
12 Staff's annualization results in a decrease of \$195 to test year purchased power expense.

13
14 **Q. What is Staff recommending for purchased power expense?**

15 A. As shown on Schedule AII-6, Staff recommends \$32,009 for purchased power expense.

16
17 **Q. What is the Company's contention regarding Staff's recommendation to disallow**
18 **\$4,722 of purchased power expense related to excess water loss?**

19 A. The Company contends that Staff's recommendation to disallow \$4,722 of purchased
20 power expense for its water loss in excess of 10 percent is unfair for several reasons.
21 First, the Company claims that the water data for January through May 2010, provided as
22 Exhibit 1 of Ms. Monzillo's testimony, indicates that its water loss was less than 10
23 percent during the first quarter of 2010. Second, the Company states that its water loss
24 data had been misstated in past reports. Third, the Company has taken various steps to
25 mitigate its water loss. Finally, its water loss could be attributed to the Fire Department's
26 refusal to account or pay for its water usage.

1 **Q. Please comment on the Company's assertion regarding Staff's recommendation to**
2 **disallow cost of purchased power related to excess water loss.**

3 A. The Commission in Decision No. 67162, dated August 10, 2004, provided the Company
4 with ample opportunity to reduce its water loss to less than 10 percent. Staff finds that a
5 period of over six years is adequate for the Company to have made necessary repairs to
6 abate its water loss to an acceptable level. As to the Company's contention that it is unfair
7 to disallow purchased power expense related to excess water loss, Staff finds that what is
8 unfair is the Company's proposal to allow cost that provides no benefit to ratepayers in
9 cost of service. Further, Staff observes that the Company's provided water use data for
10 January – May 2010 indicates an erratic fluctuation of water loss from month to month.
11 More importantly, Staff's calculation indicates that the Company's average water loss for
12 January through May, 2010, was in excess on the minimum acceptable level of 10 percent.
13 Based on these findings, Staff continues to recommend disallowance of \$4,722 of
14 purchased power expense, related to excess water loss.

15
16 **Q. Does Staff continue to recommend that the rate increase approved in this proceeding**
17 **not become effective until the Company is fully in compliance with Decision No.**
18 **67162?**

19 A. Yes. The Company has failed to reduce its water loss to less than 10 percent, in violation
20 of Commission order. Therefore, Staff's recommendation to suspend any rate increase
21 until the Company is fully in compliance is appropriate.
22

1 *General Liability Insurance*

2 **Q. Has the Company modified its proposed test year general liability insurance in this**
3 **proceeding?**

4 A. Yes. The Company has revised its proposed general liability insurance to reflect actual
5 costs for liability insurance and workers compensation insurance.

6
7 **Q. Is the Company's proposal appropriate?**

8 A. Yes. The Company's proposal adopts Staff's recommendation regarding general liability
9 insurance. However, the Company's proposal reflects \$3,245 incurred for workers
10 compensation insurance, and eliminates \$1,700 of test year cost from taxes other than
11 income.

12
13 **Q. Does Staff agree with the Company's revised general liability insurance expense?**

14 A. Yes. As shown on Schedule AII-6, Staff has adopted \$12,230 for general liability
15 insurance in this proceeding.

16
17 *Property Tax*

18 **Q. What is the Company's contention regarding Staff's recommended property tax**
19 **expense?**

20 A. The Company argues that Staff's calculation of property tax expense, based on the
21 Arizona Department of Revenue ("ADOR") methodology, yields less than its incurred test
22 year cost.

1 **Q. Is the ADOR methodology appropriate for establishing water utility companies'**
2 **property tax expense, in rate proceedings?**

3 **A. Yes. The Commission has continuously approved Staff's adaptation of the ADOR**
4 **methodology, as an appropriate means of calculating property tax expense for water**
5 **companies.**

6
7 **Q. Did the Company provided any reason why it should be treated different than other**
8 **water utility companies in Arizona?**

9 **A. No.**

10
11 **Q. Please summarize your response to the Company's contention regarding the use of**
12 **ADOR methodology for calculating property tax in this proceeding.**

13 **A. Staff finds that the Company has not provided any evidence as to why the use of ADOR**
14 **methodology is flawed for calculating its test year property tax expense. Staff continues**
15 **to recommend adoption of its recommended property tax expense in this proceeding.**

16
17 *Taxes Other Than Income*

18 **Q. Has the Company proposed a revision to its test year taxes other than income**
19 **expense?**

20 **A. Yes. Mt. Tipton has proposed an adjustment to eliminate \$1,700 incurred for workers**
21 **compensation insurance from taxes other than income expense. As previously discussed,**
22 **the Company has effected a corresponding adjustment to increase general liability**
23 **insurance expense by \$3,245, to reflect the costs of workers compensation insurance.**

24

1 **Q. Please comment on the Company's proposal.**

2 A. Staff has reviewed and accepted the Company's adjustment related to the cost of workers
3 compensation insurance.

4
5 **Q. Please state Staff's recommendation regarding taxes other than income.**

6 A. As shown on Schedule AII-6, Staff recommends \$10,838 for taxes other than income
7 expense.

8
9 *Franchise Tax*

10 **Q. Has Staff revised its recommended franchise tax expense?**

11 A. Yes. As shown on Schedule AII-6, Staff has revised its recommended franchise tax
12 expense to reflect the impact of Staff adjusted test year operating revenues. Staff
13 recommends \$5,873 for franchise tax expense.

14
15 **RATE DESIGN**

16 *Coin-Operated Standpipe*

17 **Q. Please state the Company's contention regarding Staff recommendation regarding**
18 **revenue derived from Coin-operated standpipe.**

19 A. The Company states that Staff's recommendation to recover \$25,258, an increase of
20 \$8,878 over test year revenues, overstates revenue from this source by \$1,386. The
21 Company has provided additional information that indicates that the Company will
22 generate \$24,142 or an increase of \$7,496 from coin-operated standpipe.

23

1 **Q. Did Staff review the Company's calculation of revenue derived from coin-operated**
2 **standpipe?**

3 A. Yes. Staff accepts the Company's calculation showing that an increase of \$7,496 will be
4 generated from coin-operated standpipe, at 25 cents per 40-gallons.

5
6 **Q. Please state Staff's recommendation regarding coin-operated standpipe revenue.**

7 A. As shown on Schedule AII-6, Staff recommends recovery of \$24,142 from water sales
8 through coin-operated standpipe.

9
10 *Rate Design Issue*

11 **Q. Please comment on the Company's proposal to recover a portion of its rate increase**
12 **through monthly minimum charges.**

13 A. The Company's proposal will perpetuate recovery of more than 50 percent of its revenue
14 through the monthly minimum. As fully discussed in Staff's Direct Testimony, recovery
15 of more than 50 percent of a utility company's revenues through monthly minimum
16 charges minimizes the risk of the Company's investors at the expense of the ratepayers.
17 Accordingly, Staff continues to recommend that the Company's rate increase be
18 effectuated through commodity rates.

19
20 **Q. Has Staff revised its recommended rates and charges in this proceeding?**

21 A. Yes. Staff's revised recommendation regarding rates and charges are shown on Schedule
22 AII-12. Staff's recommended rates and charges reflect its revised revenue requirement.

1 **Q. Please summarize the impact of Staff's recommended rates and charges of a typical**
2 **residential customer.**

3 A. As shown on Schedule AII-13, Staff's recommendation will increase the monthly bill of a
4 residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-
5 gallons from \$24.65 to \$27.41, an increase of \$2.76 or 11.2 percent. For a residential
6 customer with an average consumption of 3,552-gallons, the monthly bill will increase
7 from \$27.70 to \$31.96, an increase of \$4.26 or 15.4 percent.

8
9 **STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF MICHELLE MONZILLO**

10 **Q. Please comment of the Company's assertion that it is now fully in compliance with**
11 **Decision Nos. 67162 and 70837.**

12 A. Staff has reviewed the Company's filing relating to water loss and concludes that the
13 Company is not in compliance with Decision No. 67162. A cursory review of the data
14 provided by the Company indicates that it pumped 13,469,225-gallons, resulting in 10.72
15 percent or 1,443,437-gallon non-account water loss between the months of January
16 through May 2010. Although, Staff has not independently verified the Company's water
17 data for January through May, 2010, the submitted data clearly shows that Mt. Tipton is
18 still in violation of Commission Decision No. 67162, because its reported water loss for
19 this period is in excess of 10 percent.

20
21 **Q. Is it appropriate to waive Staff's recommendation that the Commission suspend**
22 **rates and charges approved in this proceeding, until the Company is fully in**
23 **compliance with its decisions?**

24 A. No. Mt. Tipton is a public service corporation, required to maintain an adequate water
25 system that is in compliance with all regulatory agencies, including the Commission. The
26 Company has failed to comply with Commission order requiring it to maintain a water

1 loss of less than 10 percent. A waiver of Staff's recommendation will emboldened the
2 Company to continue its violation of Commission orders.

3
4 **Q. Did the Company's arguments persuade Staff to revise its recommendation to hold**
5 **the Company accountable for its non-account water loss?**

6 A. No. The Company has not demonstrated any reason why it cannot address issues relating
7 to excess non-account water loss. As a result, Staff continues to recommend that the rates
8 and charges approved in this proceeding not become effective until the Company is fully
9 in compliance with Commission orders.

10
11 **Q. Does this conclude your testimony?**

12 A. Yes.

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

Schedule All-1
Surrebuttal

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY REBUTTAL	(B) STAFF SURREBUTTAL
1	Adjusted Rate Base	\$ 588,989	\$ 569,673
2	Adjusted Operating Income (Loss)	\$ (28,028)	\$ (12,062)
3	Current Rate of Return (L2 / L1)	-4.76%	-2.12%
4	Required Rate of Return	10.00%	8.34%
5	Required Operating Income (L1 * L4)	\$ 58,899	\$ 47,492
6	Operating Income Deficiency (L5 - L2)	\$ 86,927	\$ 59,554
7	Gross Revenue Conversion Factor	1.0204	1.0367
8	Required Revenue Increase (L7 * L6)	\$ 88,701	\$ 61,738
9	Adjusted Test Year Revenue	\$ 285,116	\$ 293,646
10	Proposed Annual Revenue (L8 + L9)	\$ 373,817	\$ 355,385
11	Required Increase in Revenue (%)	31.11%	21.02%

References:

Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules All-2, All-3 and All-6

FINANCIAL ANALYSIS

CALCULATION OF FINANCIAL INDICES

		[A]
1	Operating Income	\$ 47,492
2	Depreciation & Amort.	49,695
3	Income Tax Expense	0
4		
5	Interest Expense	24,329
6	Repayment of Principal	53,340
7		
8		
9	TIER	
10	[1+3] ÷ [5]	1.95
11	DSC	
12	[1+2+3] ÷ [5+6]	1.25
13		
14		
15		
16		
17		
18	Short-term Debt	\$0
19		
20	Long-term Debt	\$917,387
21		
22	Common Equity	(\$364,892)
23		
24	Total Capital	\$552,495
25		
26		
27		

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) STAFF DIRECT	(B) STAFF ADJUSTMENTS	(C) STAFF SURREBUTTAL
1	Plant in Service	\$ 1,916,741	\$ -	\$ 1,916,741
2	Less: Accumulated Depreciation	1,212,673	-	1,212,673
3	Net Plant in Service	<u>\$ 704,068</u>	<u>\$ -</u>	<u>\$ 704,068</u>
	<u>LESS:</u>			
4	Net Contribution in Aid of Construction (CIAC)	\$ 67,502	\$ -	\$ 67,502
6	Advances in Aid of Construction (AIAC)	144,604	\$ -	\$ 144,604
8	Customer Deposits	14,940	\$ -	\$ 14,940
10	Total Deductions	<u>\$ 227,046</u>	<u>-</u>	<u>\$ 227,046</u>
	<u>ADD:</u>			
11	Allowance for Working Capital	\$ 92,254	397	92,651
12	Deferred Income Taxes	-	\$ -	-
13	Total Additions	<u>\$ 92,254</u>	<u>397</u>	<u>\$ 92,651</u>
14	Original Cost Rate Base	<u><u>\$ 569,275</u></u>	<u><u>\$ 397</u></u>	<u><u>\$ 569,673</u></u>

References:

Column [A], Company Response of Staff DR All 4-1 and Schedule B-1

Column [B]: Column [C] - Column [A], Schedule All-4

Column [C]: Schedule All-4, Company Response of Staff DR All 4-1, All 4-2, All 4-4, All 7-1, All 7-2

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	[A] STAFF DIRECT	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] STAFF SURREBUTTAL
PLANT IN SERVICE									
1	Intangible Plant								
2	Organization	\$ 17,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,450
3	Franchises	500	-	-	-	-	-	-	500
4	Land & Land Rights	9,842	-	-	-	-	-	-	9,842
5	Subtotal Intangible	\$ 27,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,792
6	Source of Supply								
7	Structures & Improvements	\$ 55,389	-	-	-	-	-	-	\$ 55,389
8	Collecting and Impounding Res.	-	-	-	-	-	-	-	-
9	Lake River and Other Intakes	-	-	-	-	-	-	-	-
10	Wells and Springs	459,954	-	-	-	-	-	-	459,954
11	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
12	Supply Mains	-	-	-	-	-	-	-	-
13	Power Generating Equipment	0	-	-	-	-	-	-	-
14	Electric Pumping Equipment	74,808	-	-	-	-	-	-	74,808
15	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-
16	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-
17	Subtotal Source of Supply	\$ 590,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590,151
Water Treatment									
18	Water Treatment Equipment	\$ -	-	-	-	-	-	-	-
19	Solution Chemical Feeders	\$ 53,075	-	-	-	-	-	-	53,075
20	Structures & Improvements	-	-	-	-	-	-	-	-
21	Other Power Production	-	-	-	-	-	-	-	-
22	Electric Pumping Equipment	-	-	-	-	-	-	-	-
23	Diesel Pumping Equipment	-	-	-	-	-	-	-	-
24	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-
24	Subtotal Water Treatment	\$ 53,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,075
Transmission & Distribution									
25	Distribution Reservoirs & Standpipe	\$ 223,341	-	-	-	-	-	-	\$ 223,341
26	Transmission and Distribution Mains	795,318	-	-	-	-	-	-	795,318
27	Services	67,193	-	-	-	-	-	-	67,193
28	Meters	89,437	-	-	-	-	-	-	89,437
29	Storage Tank	-	-	-	-	-	-	-	-
30	Hydrants	1,230	-	-	-	-	-	-	1,230
31	Backflow Prevention Devices	-	-	-	-	-	-	-	-
32	Other Plant and Miscellaneous Equipment	998	-	-	-	-	-	-	998
32	Subtotal Transmission & Distribution	\$ 1,177,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,177,517
General Plant									
33	Office Furniture and Equipment	18,496	-	-	-	-	-	-	\$ 18,496
34	Computer & Peripheral Equip.	5,686	-	-	-	-	-	-	5,686
35	Computer and Software	-	-	-	-	-	-	-	-
36	Transportation Equipment	33,671	-	-	-	-	-	-	33,671
37	Stores Equipment	-	-	-	-	-	-	-	-
38	Tools and Work Equipment	514	-	-	-	-	-	-	514
39	Laboratory Equipment	-	-	-	-	-	-	-	-
40	Power Operated Equipment	167	-	-	-	-	-	-	167
41	Communications Equipment - Non-Telephone	-	-	-	-	-	-	-	-
42	Communications Equipment - Telephone	-	-	-	-	-	-	-	-
43	Communications Equipment - Other	-	-	-	-	-	-	-	-
44	Miscellaneous Equipment	8,464	-	-	-	-	-	-	8,464
45	Other Tangible Plant	1,208	-	-	-	-	-	-	1,208
46	Plant Held for Future Use	-	-	-	-	-	-	-	-
47	Subtotal General Plant	\$ 68,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,206
51	Total Plant in Service	\$ 1,916,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,916,741
52	Less: Accumulated Depreciation	1,212,673	-	-	-	-	-	-	1,212,673
53	Net Plant in Service (L51 - L53)	\$ 704,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,068
LESS:									
54	Net Contributions in Aid of Construction (CIAC)	67,502	-	-	-	-	-	-	67,502
55	Imputed Regulatory Contributions	-	-	-	-	-	-	-	-
56	Advances in Aid of Construction (AIAC)	144,604	-	-	-	-	-	-	144,604
57	Imputed Regulatory Advances	-	-	-	-	-	-	-	-
58	Customer Meter Deposits	14,940	-	-	-	-	-	-	14,940
59	Investment Tax Credits	-	-	-	-	-	-	-	-
60	Deferred Income Tax Credits (Debits)	-	-	-	-	-	-	-	-
61	Total Deductions	\$ 227,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,046
ADD:									
62	Allowance for Working Capital	92,254	-	-	-	-	397	-	92,651
63	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
64	Total Additions	\$ 92,254	\$ -	\$ -	\$ -	\$ -	\$ 397	\$ -	\$ 92,651
65	Original Cost Rate Base	\$ 569,276	\$ -	\$ -	\$ -	\$ -	\$ 397	\$ -	\$ 569,673

ADJ #	Description	
1	Gross Utility Plant in Service	Schedule All-5
5	Allowance for Working Capital	Schedule All-6

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

Schedule All-5
Surrebuttal

RATE BASE ADJUSTMENT - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] DIRECT AS FILED	[B] ADJUSTMENT	[C] STAFF SURREBUTTAL
1	Working Capital	\$ 92,254	\$ 397	\$ 92,651

Calculation of Working Capital

Purchahsed Water	4,109	
Purchased Power	32,009	
Total	36,118	
1/24th of Purchased Power/Water		1,505
Operating & Maintenace Expense	189,699	
1/8th of Operating & Maintenace Expense		23,712
Prepayments by Company - Schedule E-1		67,434
Staff recommmeded Working Capital		92,651

REFERENCES:

Column [A]: Company Schedule B-1
Column [B]: Testimony, All
Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] STAFF DIRECT AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF DIRECT AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF SURREBUTTAL
<u>REVENUES:</u>						
1	Metered Water Sales	\$ 270,419	\$ (847)	\$ 269,572	\$ 54,243	\$ 323,815
2	Other Operating Revenue	7,324	-	7,324	-	7,324
3	Coin-Operated Revenue	16,650	-	16,650	7,496	24,146
4	Unmetered Water Revenue	100	-	100	-	100
5	Total Operating Revenues	294,493	(847)	293,646	61,739	355,385
<u>OPERATING EXPENSES:</u>						
7	Salaries & Wages	93,529	-	93,529	-	93,529
8	Purchased Water	4,109	-	4,109	-	4,109
9	Purchase Power	32,204	(195)	32,009	-	32,009
10	Chemicals	-	-	-	-	-
11	Repairs & Maintenance	11,364	-	11,364	-	11,364
12	Office Supplies Expenses	14,376	-	14,376	-	14,376
13	Outside Services	7,155	-	7,155	-	7,155
14	Water Testing	6,689	-	6,689	-	6,689
15	Rent Expense	6,582	-	6,582	-	6,582
16	Transportation Expense	9,746	-	9,746	-	9,746
17	Insurance - General Liability	8,985	3,245	12,230	-	12,230
18	Insurance - Health & Life	-	-	-	-	-
19	Regulatory Expense	6,667	-	6,667	-	6,667
20	Miscellaneous Expense	21,361	-	21,361	-	21,361
21	Depreciation & Amortization	49,695	-	49,695	-	49,695
22	Property Taxes	13,214	271	13,485	950	14,434
23	Taxes Other Than Income	12,538	(1,700)	10,838	-	10,838
24	Franchise Taxes	5,890	(17)	5,873	1,235	7,108
25	Income Taxes	-	-	-	-	-
26	Total Operating Expenses	\$ 304,104	\$ 1,603	\$ 305,708	\$ 2,185	\$ 307,892
27	Operating Income (Loss)	\$ (9,611)	\$ (2,450)	\$ (12,062)	\$ 59,554	\$ 47,492

References:

Column (A): Company Schedule C-1
Column (B): Schedule All-9, Testimony All
Column (C): Column (A) + Column (B)
Column (D): Schedules All-1 and All-2
Column (E): Column (C) + Column (D)

47,787.00
13.50%
0.1336

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] STAFF DIRECT	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[M] STAFF SURREBUTTAL
REVENUES:										
1	Metered Water Sales	270,419	(847)							269,572
2	Other Operating Revenue	7,324								7,324
3	Coin-Operated Revenue	16,650								16,650
4	Unmetered Water Revenue	100								100
5	Total Operating Revenues	294,493	(847)	-	-	-	-	-	-	293,646
6										
OPERATING EXPENSES:										
8	Salaries & Wages	93,529								93,529
9	Purchased Water	4,109								4,109
10	Purchase Power	32,204		(195)						32,009
11	Chemicals	-								-
12	Repairs & Maintenance	11,364								11,364
13	Office Supplies Expenses	14,376								14,376
14	Outside Services	7,155								7,155
15	Water Testing	6,689								6,689
16	Rent Expense	6,582								6,582
17	Transportation Expense	9,746								9,746
18	Insurance - General Liability	8,985			3,245					12,230
19	Insurance - Health & Life	-								-
20	Regulatory Expense	6,667								6,667
21	Miscellaneous Expense	21,361								21,361
22	Depreciation & Amortization	49,695								49,695
23	Property Taxes	13,214				271				13,485
24	Taxes Other Than Income	12,538					(1,700)			10,838
25	Franchise Taxes	5,890						(17)		5,873
26	Income Taxes	-								-
27	Total Operating Expenses	304,104	-	(195)	3,245	271	(1,700)	(17)	-	305,708
28	Operating Income (Loss)	(9,611)	(847)	195	(3,245)	(271)	1,700	17	-	(12,062)

ADJ #	DESCRIPTION	REFERENCES	ADJ #	DESCRIPTION	REFERENCES
1	Purchased Power	Schedule All-12	7	Franchise Tax	Schedule All-18
2	Repairs & Maintenance	Schedule All-13			
3	Water Testing	Schedule All-14			
4	Insurance - General Liability	Schedule All-15			
5	Depreciation & Amortization	Schedule All-16			
6	Property Tax	Schedule All-17			

METERED WATER REVENUE ANNUALIZATION - PRESENT RATES

Month/ Year	Test Year Actual Customers	Customer Count June 2009	Change in Customer Count	Monthly Avg Revenue - Present Rates	Revenue Annualization at Current Rates	Present Average Usage (in Gallons)	Additional Production Required (Gallons)
5/8 x 3/4-Inch Meter							
Jul-08	726	711	(15)	32.72	\$ (490.82)	4,693	(70,401)
Aug-08	724	711	(13)	29.84	(387.89)	3,813	(49,568)
Sep-08	725	711	(14)	30.70	(429.79)	4,041	(56,579)
Oct-08	711	711	-	31.97	-	4,458	-
Nov-08	712	711	(1)	27.75	(27.75)	3,139	(3,139)
Dec-08	716	711	(5)	26.80	(134.00)	2,878	(14,390)
Jan-09	714	711	(3)	29.99	(89.97)	3,782	(11,347)
Feb-09	719	711	(8)	24.54	(196.34)	2,093	(16,746)
Mar-09	719	711	(8)	26.71	(213.67)	2,842	(22,738)
Apr-09	713	711	(2)	30.03	(60.07)	3,911	(7,821)
May-09	720	711	(9)	33.39	(300.47)	4,882	(43,935)
Jun-09	711	711	-	30.97	-	4,165	-
Totals	8,610	8,532	(78)		\$ (2,330.76)		(296,663)
2-Inch Meter							
Jul-08	1	2	1	\$ 152.00	\$ 152.00	-	-
Aug-08	1	2	1	152.00	152.00	-	-
Sep-08	1	2	1	182.72	182.72	9,600	9,600
Oct-08	1	2	1	168.96	168.96	5,300	5,300
Nov-08	1	2	1	165.12	165.12	4,100	4,100
Dec-08	1	2	1	164.80	164.80	4,000	4,000
Jan-09	1	2	1	171.20	171.20	6,000	6,000
Feb-09	1	2	1	162.24	162.24	3,200	3,200
Mar-09	1	2	1	164.80	164.80	4,000	4,000
Apr-09	2	2	-	161.76	-	3,050	-
May-09	2	2	-	176.21	-	7,565	-
Jun-09	2	2	-	249.76	-	30,550	-
Totals	15	24	9		\$ 1,483.84		36,200
Total Revenue Annualization Adjustments					\$ (847)		

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

Schedule All-9
Surrebuttal

Detail of Adjustment to Purchased Power for Revenue Annualization

Test Year Gallons Pumped		49,238,194
Test Year Purchased Power Expense	\$	36,926
Pumping Cost per Gallon	\$	0.000750
Net Reduction in Gallons due to Revenue Annualizations Per Schedule C-2a		(260,463)
Pumping Cost per Gallon	\$	0.000750
Adjustment P to Decrease Purchased Power Expense	\$	<u>(195)</u>

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 293,646	\$ 293,646
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 587,292	\$ 587,292
4	Staff Recommended Revenue	293,646	355,385
5	Subtotal (Line 4 + Line 5)	\$ 880,938	\$ 942,677
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 293,646	\$ 314,226
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 587,292	\$ 628,451
10	Plus: 10% of CWIP		
11	Less: Net Book Value of Licensed Vehicles	3,000	3,000
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 584,292	\$ 625,451
13	Assessment Ratio	21.00%	21.00%
14	Assessment Value (Line 12 * Line 13)	\$ 122,701	\$ 131,345
15	Composite Property Tax Rate	10.98970%	10.98970%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 13,485	
17	Staff's Direct Testimony	13,214	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 271	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 14,434
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		13,485
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 950
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 950
23	Increase in Revenue Requirement		\$ 61,739
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.538558%

REFERENCES:

- 25 Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
- 26 Line 17: Company Schedule C-1 Page 2
- 27 Line 21: Line 19 - Line 20
- 28 Line 23: Schedule All-1

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0522
Test Year Ended June 30, 2009

Schedule All-11
Surrebuttal

OPERATING INCOME ADJUSTMENT NO 7 - FRANCHISE TAX

LINE NO.	DESCRIPTION	STAFF DIRECT	STAFF ADJUSTMENT	STAFF SURREBUTTAL
1	Franchise Tax	\$ 5,890	\$ (17)	\$ 5,873
2	Total	5,890	(17)	5,873
3				
4				

5 References:

6 Column (A), Company Schedule C-1 & Workpapers

7 Column (B): Testimony All

Column (C): Column (A) + Column (B)

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Rebuttal	Staff Surrebuttal
5/8" x 3/4" Meter	\$ 19.00	\$ 22.60	\$ 19.00
3/4" Meter	\$ 28.50	\$ 33.90	\$ 28.50
1" Meter	\$ 47.50	\$ 56.50	\$ 47.50
1 1/2" Meter	\$ 95.00	\$ 112.99	\$ 95.00
2" Meter	\$ 152.00	\$ 180.79	\$ 152.00
3" Meter	\$ 285.00	\$ 361.57	\$ 285.00
4" Meter	\$ 475.00	\$ 564.96	\$ 475.00
6" Meter	\$ 950.00	\$ 1,129.92	\$ 950.00
8" Meter	\$ 1,425.00	\$ 1,694.88	\$ 1,425.00

Commodity Rates

Staff Recommended Commodity Rates: (ALL METER SIZES)

Tier One Rate - (0 - 4,000 gallons)	\$ 3.60	\$ 3.65
Tier Two Rate - (4,001 - 9,000 gallons)	\$ 5.00	\$ 5.10
Tier Three Rate - (Over 9,000 gallons)	\$ 6.45	\$ 6.50

Company Current & Proposed Commodity Rates:

5/4 x 3/4-Inch Meter

Tier One Rate - (0 - 4,000 gallons)	\$ 2.45
Tier Two Rate - (4,001 - 9,000 gallons)	\$ 3.20
Tier Three Rate - (Over 9,000 gallons)	\$ 4.20

3/4-Inch Meter

Tier One Rate - (0 - 4,000 gallons)	\$ 2.45
Tier Two Rate - (4,001 - 15,000 gallons)	\$ 3.20
Tier Three Rate - (Over 15,000 gallons)	\$ 4.20

1-Inch Meter

Tier One Rate - (0 - 25,000 gallons)	\$ 3.20
Tier Two Rate - (Over 25,000 gallons)	\$ 4.20

1 1/2-Inch Meter

Tier One Rate - (0 - 50,000 gallons)	\$ 3.20
Tier Two Rate - (Over 50,000 gallons)	\$ 4.20

2-Inch Meter

Tier One Rate - (0 - 125,000 gallons)	\$ 3.20
Tier Two Rate - (Over 125,000 gallons)	\$ 4.20

3-Inch Meter

Tier One Rate - (0 - 250,000 gallons)	\$ 3.20
Tier Two Rate - (Over 250,000 gallons)	\$ 4.20

4-Inch Meter

Tier One Rate - (0 - 400,000 gallons)	\$ 3.20
Tier Two Rate - (Over 400,000 gallons)	\$ 4.20

6-Inch Meter

Tier One Rate - (0 - 825,000 gallons)	\$ 3.20
Tier Two Rate - (Over 825,000 gallons)	\$ 4.20

8-Inch Meter

Tier One Rate - (0 - 1,250,000 gallons)	\$ 3.20
Tier Two Rate - (Over 1,250,000 gallons)	\$ 4.20

RATE DESIGN CONTINUED

Standpipe Commodity Rates

Bulk Sales (Per 1000 Gallons)	\$	4.20	\$	6.45	\$	6.50
Vending Rate per 58-gallons	\$	0.25				
Vending Rate per 40-gallons			\$	0.25	\$	0.25

Service Line and Meter Installation Charges	Present Rates	Company Proposed	-Staff Recommended-		
			Service Line Charge	Meter Installation	Total
5/8" x 3/4" Meter	\$438.00	\$600.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	\$462.00	\$700.00	\$ 445.00	\$ 255.00	\$ 700.00
1" Meter	\$562.00	\$810.00	\$ 495.00	\$ 315.00	\$ 810.00
1½" Meter	\$838.00	\$1,075.00	\$ 550.00	\$ 525.00	\$ 1,075.00
2" Meter Turbine	N/A	\$1,875.00	\$ 830.00	\$ 1,045.00	\$ 1,875.00
2" Meter Compound	\$1,094.00	\$2,720.00	\$ 830.00	\$ 1,890.00	\$ 2,720.00
3" Meter Turbine	N/A	\$2,715.00	\$ 1,045.00	\$ 1,670.00	\$ 2,715.00
3" Meter Compound	\$1,281.00	\$3,710.00	\$ 1,165.00	\$ 2,545.00	\$ 3,710.00
4" Meter Turbine	N/A	\$4,160.00	\$ 1,490.00	\$ 2,670.00	\$ 4,160.00
4" Meter Compound	\$3,375.00	\$5,315.00	\$ 1,670.00	\$ 3,645.00	\$ 5,315.00
6" Meter Turbine	N/A	\$7,235.00	\$ 2,210.00	\$ 5,025.00	\$ 7,235.00
6" Meter Compound	\$4,781.00	\$9,250.00	\$ 2,330.00	\$ 6,920.00	\$ 9,250.00
8" Meter Turbine	N/A	\$10,500.00	\$ 3,000.00	\$ 7,500.00	\$ 10,500.00
8" Meter Compound	\$5,000.00	\$11,200.00	\$ 3,200.00	\$ 8,000.00	\$ 11,200.00

Service Charges	Rates	Company Proposed	Staff Recommended	
Establishment	\$ 25.00	\$ 30.00	\$	25.00
Establishment (After Hours)	\$ 40.00	\$ 40.00	\$	40.00
Reconnection (Delinquent)	\$ 40.00	\$ 40.00	\$	40.00
Reconnection (After Hours)	\$ 40.00	\$ 40.00	\$	40.00
Meter Test (If Correct)	\$ 40.00	\$ 40.00	\$	40.00
NSF Check	\$ 15.00	\$ 25.00	\$	25.00
Meter Re-Read (If Correct)	\$ 10.00	\$ 15.00	\$	15.00
Deposit	*	*		*
Deposit Interest (Per Month)	*	**		**
Deferred Payment (Per Month)	**	**		N/A
Late Charge (Per Month)	**	**		
Re-Establishment (Within 12 Months)	***	***		***
Main Extension	N/A	Cost		Cost

RATE DESIGN CONTINUED

Monthly Service Charge for Fire Sprinkler	Present Rates	Company Proposed	Staff Recommended
4" or Smaller	N/A	****	*****
6"	N/A	****	*****
8"	N/A	****	*****
10"	N/A	****	*****
Larger than 10"	N/A	****	*****

* Per Commission Rule ACC R14-2-403(B)(7)

** Per Commission Rule ACC R14-2-403(B)(3)

*** Months off system times the monthly minimum AAC R14-2-403(D)

**** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

***** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

TYPICAL BILL ANALYSIS

General Service 5/8 x 3/4- Inch Meter Residential

Average Number of Customers: 680

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,552	\$27.70	\$35.39	\$7.69	27.8%
Median Usage	2,305	\$24.65	\$30.90	\$6.25	25.4%
<u>Staff Proposed</u>					
Average Usage	3,552	\$27.70	\$31.96	\$4.26	15.4%
Median Usage	2,305	\$24.65	\$27.41	\$2.76	11.2%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4- Inch Meter Residential

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$19.00	\$22.60	18.9%	\$19.00	0.0%
1,000	21.45	26.20	22.1%	22.65	5.6%
2,000	23.90	29.80	24.7%	26.30	10.0%
3,000	26.35	33.40	26.8%	29.95	13.7%
4,000	28.80	37.00	28.5%	33.60	16.7%
5,000	32.00	42.00	31.3%	38.70	20.9%
6,000	35.20	47.00	33.5%	43.80	24.4%
7,000	38.40	52.00	35.4%	48.90	27.3%
8,000	41.60	57.00	37.0%	54.00	29.8%
9,000	44.80	62.00	38.4%	59.10	31.9%
10,000	49.00	68.45	39.7%	65.60	33.9%
15,000	70.00	100.70	43.9%	98.10	40.1%
20,000	91.00	132.95	46.1%	130.60	43.5%
25,000	112.00	165.20	47.5%	163.10	45.6%
50,000	217.00	326.45	50.4%	325.60	50.0%
75,000	322.00	487.70	51.5%	488.10	51.6%
100,000	427.00	648.95	52.0%	650.60	52.4%
125,000	532.00	810.20	52.3%	813.10	52.8%
150,000	637.00	971.45	52.5%	975.60	53.2%
175,000	742.00	1,132.70	52.7%	1,138.10	53.4%
200,000	847.00	1,293.95	52.8%	1,300.60	53.6%

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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AZ CORP COMMISSION
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LEGAL DIV.
ARIZ CORPORATION COMMISSION

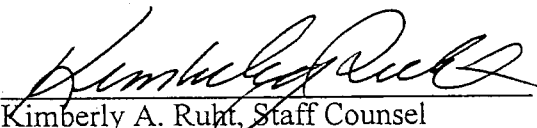
IN THE MATTER OF THE APPLICATION OF
MOUNT TIPTION WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES.

DOCKET NO. W-02105A-09-0522

STAFF'S NOTICE OF FILING DIRECT
TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
Dorothy Hains and Alexander Ibhade Igwe of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 26th day of May 2010.

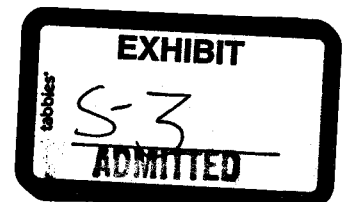

Kimberly A. Ruft, Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
26th day of May, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

...

...



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

APPLICATION OF MOUNT TIPTON WATER)
CO., INC. FOR INCREASE IN ITS WATER)
RATES)
_____)

DOCKET NO. W-02105A-09-0522

DIRECT TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 26, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
PURPOSE OF TESTIMONY	2
ENGINEERING REPORT	3
RECOMMENDATIONS AND CONCLUSIONS	4

EXHIBITS

Engineering Report for Mount Tipton Water CO., Inc.....	DMH-1
---------------------------------------------------------	-------

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since January 1998.

12
13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. My main responsibilities are to inspect, investigate and evaluate water and wastewater
15 systems. This includes obtaining data, preparing reconstruction cost new and/or original
16 cost studies, cost of service studies and investigative reports, interpreting rules and
17 regulations, and to suggest corrective action and provide technical recommendations on
18 water and wastewater system deficiencies. I also provide written and oral testimony in
19 rate cases and other cases before the Commission.

20
21 **Q. How many companies have you analyzed for the Utilities Division?**

22 A. I have analyzed more than 90 companies fulfilling these various responsibilities for
23 Utilities Division Staff ("Staff").

24
25 **Q. Have you previously testified before this Commission?**

26 A. Yes, I have testified on numerous occasions before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of
3 Science degree in Civil Engineering.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Before my employment with the Commission, I was an Environmental Engineer for the
7 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time,
8 I was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for
9 approximately five years.

10
11 **Q. Please state your professional membership, registrations, and licenses.**

12 A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the
13 American Society of Civil Engineering ("ASCE"), American Water Works Association
14 ("AWWA") and Arizona Water & Pollution Control Association ("AWPCA").

15
16 **PURPOSE OF TESTIMONY**

17 **Q. What was your assignment in this rate proceeding?**

18 A. My assignment was to provide Staff's engineering evaluation for the subject Mount
19 Tipton Water Co., Inc. ("Mount Tipton" or "Company") rate proceeding.

20
21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. To present the findings of Staff's engineering evaluation of operations for the Company.
23 The findings are contained in the Engineering Report that I have prepared for this
24 proceeding. The report is included as Exhibit DMH-1 in this pre-filed testimony.

25

ENGINEERING REPORT

Q. Would you briefly describe what was involved in preparing your Engineering Report for this rate proceeding?

A. After reviewing the application for the Company, I physically inspected the system to evaluate their operation and to determine if any plant items were not used and useful. I contacted the ADEQ to determine if the water system was in compliance with the Safe Drinking Water Act water quality requirements. After I obtained information from the Company regarding plant improvements, permits, chemical testing expenses, and water usage data, I analyzed that information. I also contacted the Arizona Department of Water Resources ("ADWR") to determine if the water system were in compliance with the ADWR's requirements governing water providers. Based on all the above, I prepared the attached Engineering Report.

Q. Please describe the information contained in your Engineering Report.

A. The Report is divided into three general sections: 1) Executive Summary; 2) Engineering Report Discussion, and 3) Engineering Report Exhibits. The Discussions section for Mount Tipton can be further divided into ten subsections: A) Introduction And Location of the Company; B) Description of the Water System; C) ADEQ Compliance; D) ACC Compliance; E) ADWR Compliance; F) Water Testing Expenses; G) Water Usage; H) Growth; I) Depreciation Rates; L) Other Issues. These subsections provide information about the water system serving the Company's customers.

RECOMMENDATIONS AND CONCLUSIONS

Q. What are Staff's conclusions and recommendations regarding the Company's operations?

A. Staff's conclusions and recommendations regarding the Company's operations are listed below.

Recommendations

- I. Staff recommends that Mount Tipton water testing expenses be adjusted to the annual expense amount of \$6,689 as shown in Table 2.
- II. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 6.
- III. Staff recommends that any rate increase resulting from this rate proceeding not become effective until the Company demonstrates that its water loss is less than 10 percent and it is in full compliance with Decision No. 67162, and Decision No. 70837.
- IV. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5.

Conclusions:

- I. Arizona Department of Environmental Quality ("ADEQ") has determined that Mount Tipton is currently in full compliance with its requirements and is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

1 II. Mount Tipton is not located in any Active Management Area, as designated by the
2 ADWR. ADWR has determined that the Company is currently in compliance with
3 departmental requirements governing water providers and/or community water
4 systems.

5
6 III. Mount Tipton has an approved cross connection and backflow tariff.

7
8 IV. A check of the Utilities Division Compliance database showed there are several
9 delinquent compliance items for the Company:

10 a. Company is required to reduce its water loss to less than 10 percent by
11 February 10, 2006 (Decision No. 67162);

12 b. Company shall analyze its water supply storage, create a plan proposing
13 what it believes to be the most effective solution for improving its water
14 supply and explaining its rationale, and file the plan in its permanent
15 ratemaking docket by November 2, 2009 (Decision No. 70837); and,

16 c. Company shall file the following in its permanent ratemaking docket by
17 November 2, 2009: (1) a consolidated Hook-Up Fee report that shows for
18 each Hook-Up Fee charged during calendar year 2008 (a) the date on
19 which the Hook-Up Fee was charged, (b) the name of the customer charged
20 the Hook-Up Fee, (c) the service address for which the Hook-Up Fee was
21 charged, (d) the meter size for the service address, and (e) the amount of
22 the Hook-Up Fee charged; and (2) a consolidated Hook-Up Fee
23 expenditures report that includes for each expenditure of Hook-Up Fee
24 funds during calendar year 2008 (a) the date on which the expenditures was
25 made; (b) the amount of the expenditures; © a description of what was

1 purchased or paid for; and (d) a copy of the invoice, statement, or receipt
2 for the item purchased or paid for (Decision No. 70837).
3

4 V. Staff concludes that the Company has adequate production and storage capacity to
5 serve its existing customers and projected growth for a five-year planning horizon.
6

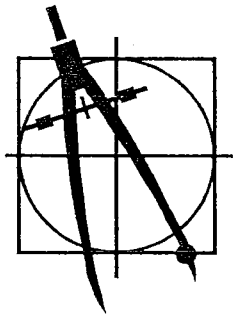
7 **Q. Does this conclude your Direct Testimony?**

8 **A.** Yes, it does.

ENGINEERING REPORT FOR MOUNT TIPTON WATER COMPANY, INC.,

BY DOROTHY HAINS

MAY 26, 2010



**Engineering Report
For Mount Tipton Water Company,
Inc.**

**Docket No. W-02105A-09-0522
(Rate Application)**

By Dorothy Hains

May 26, 2010

EXECUTIVE SUMMARY

Recommendations:

- I. Staff recommends that Mount Tipton Water Company, Inc. ("Mount Tipton" or "Company") water testing expenses be adjusted to the annual expense amount of \$6,689 as shown in Table 2. (See §F of report for discussion and details.)
- II. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 6. (See §J of report for discussion and details.)
- III. Staff recommends that any rate increase resulting from this rate proceeding not become effective until the Company demonstrates that its water loss is less than 10 percent and it is in full compliance with Decision No. 67162, and Decision No. 70837. (See §D & G of report for discussion and details.)
- IV. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5. (See §I of report for discussion and details.)

Conclusions:

- I. Arizona Department of Environmental Quality ("ADEQ") has determined that Mount Tipton is currently in full compliance with its requirements and is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §C for a discussion and details.)
- II. Mount Tipton is not located in any Active Management Area, as designated by the Arizona Department of Water Resource ("ADWR"). ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems. (See §E of report for discussion and details.)
- III. Mount Tipton has an approved cross connection and backflow tariff.

- IV. A check of the Utilities Division Compliance database showed there are several delinquent compliance items for the Company. (See §D of report for discussion and details.)
- V. Staff concludes that the Company has adequate production and storage capacity to serve its existing customers and projected growth for a five-year planning horizon. (See §B of report for discussion and details.)

TABLE OF CONTENTS

	PAGE
A. INTRODUCTION AND LOCATION OF COMPANY	1
B. DESCRIPTION OF THE WATER SYSTEM	1
<i>Water System Analysis</i>	1
C. ADEQ COMPLIANCE	3
D. ACC COMPLIANCE	3
E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE	4
F. WATER TESTING EXPENSES	4
G. WATER USAGE	5
1. <i>Water Sold</i>	5
2. <i>Lost Water</i>	6
H. GROWTH	6
I. DEPRECIATION RATES	7
J. OTHER ISSUES	7
1. <i>Service Line and Meter Installation Charges</i>	7
2. <i>Curtailment Tariff</i>	8
3. <i>Cross Connection & Backflow Tariff</i>	8

FIGURES

FIGURE 1. MOUNT TIPTON WATER COMPANY CERTIFIED AREA	10
FIGURE 2. LOCATION OF MOUNT TIPTON WATER COMPANY	11
FIGURE 3A. MOUNT TIPTON WATER COMPANY PROCESS SCHEMATIC	12
FIGURE 3B. MOUNT TIPTON WATER COMPANY PROCESS SCHEMATIC	13
FIGURE 3C. MOUNT TIPTON WATER COMPANY PROCESS SCHEMATIC	14
FIGURE 4. MOUNT TIPTON WATER COMPANY WATER USAGE	15
FIGURE 5. FIGURE 5. DEPRECIATION RATES FOR MOUNT TIPTON WATER COMPANY	16
FIGURE 6. ACC COMPLIANCE REPORT	17

A. INTRODUCTION AND LOCATION OF COMPANY

On November 13, 2009, Mount Tipton Water Company, Inc. ("Mount Tipton" or "Company") filed an application with the Arizona Corporation Commission ("Commission" or "ACC") to amend its rates using a test year ending June 30, 2009. On December 14, 2009, Mount Tipton's rate application was found sufficient. This report presents Commission Staff's engineering analysis, conclusions and recommendations in this matter.

Mount Tipton serves water to approximately 720 customers and is located approximately 35 miles northeast of the City of Kingman in Mohave County. Figure 1 describes the Certificate of Convenience and Necessity ("CC&N") area of Mount Tipton, and Figure 2 describes the location of Mount Tipton.

B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on March 24 and 25, 2010, by Dorothy Hains, Utilities Engineer, accompanied by Company representatives, Donald Bertoch (the Company's President) and Tim Clark (the Company's Field Manager).

Water System Analysis

At the time of Staff's inspection the Mount Tipton water system consisted of: four active drinking water wells capable of producing a total flow of 114 gallons per minute ("GPM"); 498,500 gallons of storage capacity; several booster systems; and, a distribution system serving 721 metered connections. On May 13, 2010, the Company reactivated the LDS Church Well, with the addition of this well, and its 10 GPM pump yield, the water system is now capable of producing a total flow of 124 GPM and has adequate well production. Staff concludes that the Company has adequate production and storage capacity to serve its existing customers and anticipated growth.

Figures 3A, 3B and 3C provide a process schematic showing both the active and inactive components of the water system at the time of Staff's inspection; a detailed description of the facility's system is as follows:

Table 1 Water System Data (Mt. Tipton)
Active Drinking Water Wells

Well #	ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
Well #2 (Iron Well)	55-508835	1984	8	700	2	20	19
Well #5 (Chamber Well)	55-510178	1985	8	900	2	15	48
Well #7 (Field Well)	55-601847	1978	6½	500	2	7½	30

Well #8 (Horizontal Well)	55-601848	1972	2	147	2	2	16
Well #9 (Spring Well)	55-601849	N/A	2	N/A	2	3	0.8
Well #4 (Detrital Well)	55-502441	1982	8	4	4	50	240

Note: 1. Well #9 is used as a backup well during emergencies.

2. Well #4 provides stand pipe service only and is not interconnected with the rest of the water system.

Inactive Wells

Well #	ADWR No.	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Year Drilled	Year out of service
Well #3 (LDS Church Well) ¹	55-520733	8	540	2	5	10	1988	2010
Well #1 (Office Well) ²	55-606511	8	600	2	20	40	1972	2010
Well #6 ³	55-601846	8	500	2	40	20	1966	N/A

Note: 1. Staff noted during its inspection that the inactive wells listed above had been disconnected from the system according to the Company each well was disconnected because the casing had collapsed.

Active Storage and Pumping

Location	Structure or equipment	Capacity
Well #7 Site	Storage Tank	Two 10,000 gallon tanks One 8,500 gallon tank
	Booster pumps	One 7½-HP pump & one 10-HP pump
Tank #3 Site	Booster Pumps	Two 5-HP
	Storage Tank	One 55,000 gallon tank & one 80,000 gallon tank
Tank #1 Site	Storage Tank	One 50,000 gallon tank & one 200,000 gallon tank
Well #5 Site	Pressure Tank	One 10,000 gal
	Storage Tank	One 10,000 gallon storage tank
	Booster pump	One 5-HP booster pump
Tank #4 Site	Storage Tank	One 50,000 gallon tank & 25,000 gallon tank

Distribution Mains

Diameter (inches)	Material	Length (feet)
8	N/A	11,490
6	N/A	76,580
4	N/A	2,964
3	N/A	680
2	polyvinyl chloride ("PVC")	8,945

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	905
$\frac{3}{4}$	0
1	1
1½	1
2	2
3	0
4	1
6	0
8	0

Non-potable Water System

Well #	ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
Non-potable water Well #1	N/A	N/A	N/A	N/A	N/A	N/A	8
Non-potable water Well #2	N/A	N/A	N/A	N/A	N/A	N/A	4

Non-potable Water Active Storage, Pumping

Location	Structure or equipment	Capacity
N/A	Storage Tank	One 70,000 gallon tank

C. ADEQ COMPLIANCE

ADEQ has determined that the Mount Tipton water system ADEQ Public Water System No. 08-059 is currently in full compliance with its requirements.¹ ADEQ further states that Mount Tipton is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

D. ACC COMPLIANCE

A check of the Utilities Division Compliance database showed there are several delinquent compliance items for the Company. (See Figure 6 Compliance Section memorandum dated May 20, 2010, for details.)

¹ ADEQ compliance status report dated January 6, 2010.

E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Mount Tipton is not located in any Active Management Area, as designated by ADWR. ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.²

F. WATER TESTING EXPENSES

Mount Tipton is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria and disinfection by-products.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented as a pro forma expense on an annualized basis.
3. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and two point-of-entry.
4. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase.

Table 2 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount of \$6,689 as shown in Table 2.

Table 2 Water Testing Cost (Mt. Tipton PWS #08-059)

Monitoring	Cost per test	No. of annual tests	Annual Cost
Bacteriological – monthly	\$20	72	\$1,440
Inorganics – Priority Pollutants	\$300	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP
Phase II and V:			
IOC's, SOC's, VOC's	\$2,805	MAP	MAP
Nitrites	\$20	MAP	MAP

² ADWR compliance status report dated January 26, 2009.

Nitrates – annual	\$40	12	MAP
Asbestos – per 9 years	\$180	2½	MAP
Lead & Copper – annual*	\$45	20	\$450
TTHM/THMs – per 3 years	\$385	2	\$770
Maximum chlorine residual levels	\$20	72	\$1,440
MAP fees (annual)			\$2588.70
Total			\$6,689

G. WATER USAGE

Table 3 is the water usage data reported by the District for the test year of July 2008 through June 2009. Figure 4 is a graph that shows water consumption data in gallons per day (“GPD”) per customer for the system for the test year period of July 2008 through June 2009.

Table 3 Water Usage in the System (Mt. Tipton)

Month	Number of Customers	Water Sold (gallons)	Water pumped (gallons)	Water purchased (gallons)	Daily Average (gpd/customer)
Jul 08	750	4,259,540	5,425,233	0	183
Aug 08	754	3,203,970	5,165,015	0	137
Sep 08	749	3,610,330	4,730,754	0	161
Oct 08	738	3,629,790	4,016,674	0	159
Nov 08	740	2,596,730	3,247,050	0	117
Dec 08	737	2,422,265	3,379,220	0	106
Jan 09	740	3,117,720	3,798,060	0	136
Feb 09	742	1,782,665	3,087,910	0	86
Mar 09	734	2,723,865	3,574,730	0	120
Apr 09	727	3,331,710	3,647,860	0	153
May 09	728	3,610,020	4,629,280	0	160
Jun 09	721	3,6047,650	4,536,400	0	167
total		37,893,255	49,238,186	0	
Average					140

1. Water Sold

Based on information provided by the Company, water use for the test year is presented in Figure 4. The high monthly water use was 183 GPD per connection in July, and the low monthly water use was 86 GPD per connection in February. The average annual use was 140 GPD per connection.

2. Lost Water

Lost water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, fire fighting, and flushing. Lost water for Mount Tipton during the 12-month test year period of July 2008 through June 2009 was calculated to be 23 percent which exceeds acceptable limits.

In Decision No. 67162 (issued on August 10, 2004), the Commission ordered the Company to reduce its water loss to less than 10 percent within 18 months of the effective date of the Decision. Table 4 lists the water loss for calendar years 2003 through 2009 based on water use data reported by the Company.

Table 4 Annual Water Loss

Calendar Year	Water Sold (gal)*	Water Pumped (gal)*	% Water Loss
2003	49,680,450	58,104,980	14.50
2004	43,242,680	57,777,784	25.16
2005	45,597,660	47,191,297	3.38
2006	Not Reported	Not Reported	N/A
2007	39,239,210	22,735,934	-16.3
2008	38,234,720	47,999,537	20.34
2009	39,630,460	51,326,570	22.79

* Based on water use data reported in the Company's Annual Reports filed with the Commission.

The calculated water loss for the years listed varies significantly from a high water loss of 25 percent in 2004 to a low water loss of negative 16.3 percent in 2007 which calls into question the validity of the water use data reported by the Company. In fact the Company noted in its 2009 Annual Report "We are aware that some of these months are incorrect due to programming errors". Unfortunately Staff must rely on the water use data reported by the Company. Staff concludes that based on the data available, the Company's water loss exceeds ten percent and thus the Company has failed to comply with Decision No. 67162. Staff recommends that any rate increase resulting from this rate proceeding not become effective until the Company reliably demonstrates that its water loss is less than 10 percent and is in full compliance with Decision No. 67162, and Decision No. 70837.

H. GROWTH

During the period of 2001 to 2008 the Company netted an overall reduction of customer connections, customer growth through 2013 is expected to remain relatively flat.

I. DEPRECIATION RATES

Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5.

J. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company proposed separate meter and service line installation charges that are within Staff's expected range of reasonable charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends the rates proposed by the Company be approved and that the separate meter and service line installation charges as shown under the Staff Recommendation columns in Table 5 be approved.

Table 5 Service Line and Meter Installation Charges for Mt. Tipton Water

Meter Size	Current Total Service Line Installation & Meter Installation Charges	Proposed Service Line Installation Charge	Proposed Meter Installation Charge	Proposed Total Service Line Installation & Meter Installation Charge	Staff Recommendation (Service Line installation charge)	Staff Recommendation (meter installation charge)	Staff Recommendation (total charges)
5/8 x 3/4-inch	\$438	\$445	\$155	\$600	\$445	\$155	\$600
3/4-inch	\$462	\$445	\$255	\$700	\$445	\$255	\$700
1-inch	\$562	\$495	\$315	\$810	\$495	\$315	\$810
1½-inch	\$838	\$550	\$525	\$1,075	\$550	\$525	\$1,075
2-inch (Turbo)	N/A	\$830	\$1,045	\$1,875	\$830	\$1,045	\$1,875
2-inch (Compound)	\$1,094	\$830	\$1,890	\$2,720	\$830	\$1,890	\$2,720
3-inch (Turbo)	N/A	\$1,045	\$1,670	\$2,715	\$1,045	\$1,670	\$2,715
3-inch (Compound)	\$1,281	\$1,165	\$2,545	\$3,710	\$1,165	\$2,545	\$3,710
4-inch (Turbo)	N/A	\$1,490	\$2,670	\$4,160	\$1,490	\$2,670	\$4,160
4-inch (Compound)	\$3,375	\$1,670	\$3,645	\$5,315	\$1,670	\$3,645	\$5,315
6-inch (Turbo)	N/A	\$2,210	\$5,025	\$7,235	\$2,210	\$5,025	\$7,235
6-inch (Compound)	\$4,781	\$2,330	\$6,920	\$9,250	\$2,330	\$6,920	\$9,250
8-inch (Turbo)	N/A	\$3,000	\$7,500	\$10,500	\$3,000	\$7,500	\$10,500

8-inch (Compound)	\$5,000	\$3,200	\$8,000	\$11,200	\$3,200	\$8,000	\$11,200
----------------------	---------	---------	---------	----------	---------	---------	----------

2. *Curtailment Tariff*

The Company has an approved curtailment tariff on file with the Commission.

3. *Cross Connection & Backflow Tariff*

The Company has an approved Cross Connection & Backflow Tariff.

FIGURES

FIGURE 1

MOUNT TIPTON WATER COMPANY CERTIFICATED AREA

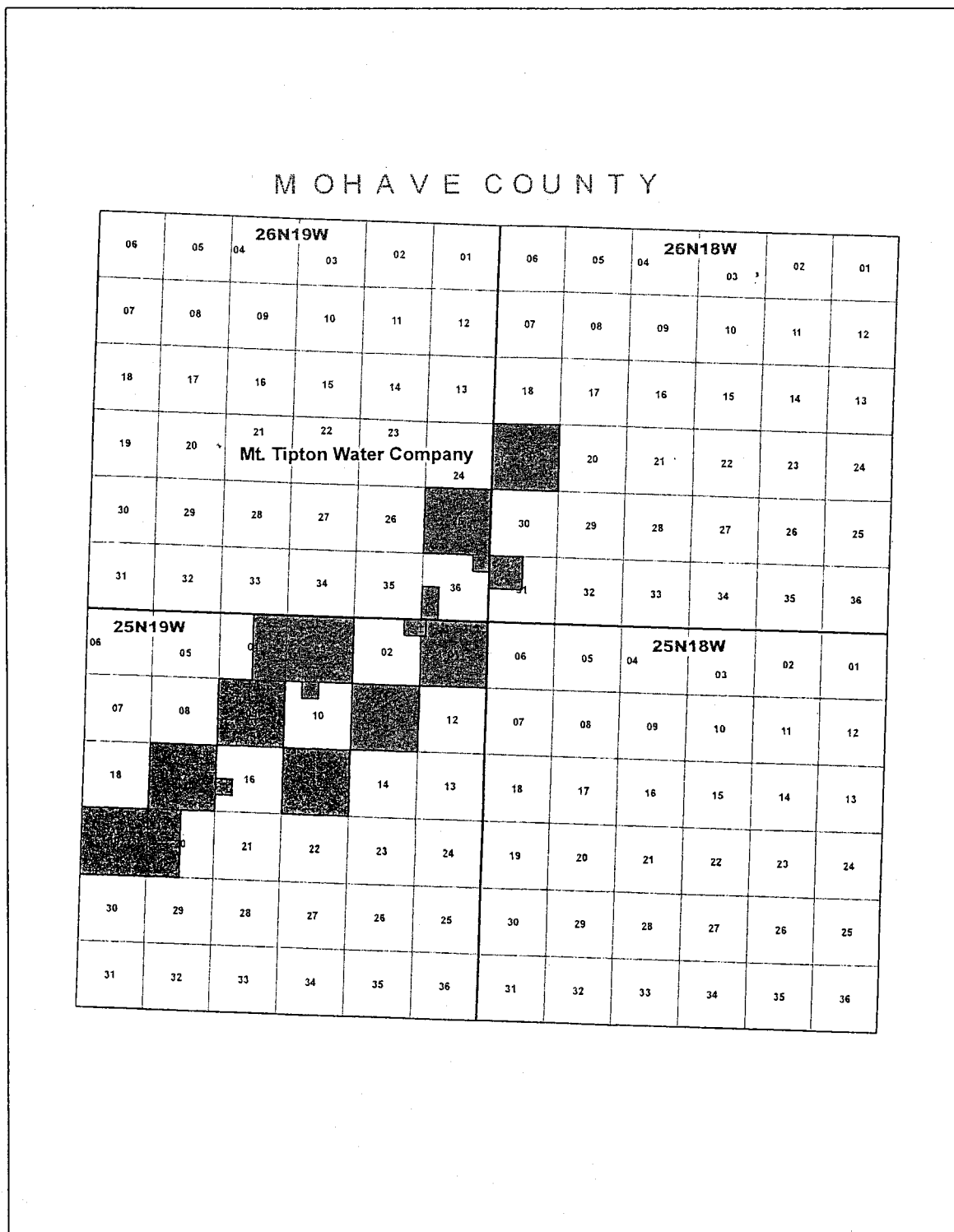


FIGURE 2

LOCATION OF MOUNT TIPTON WATER COMPANY

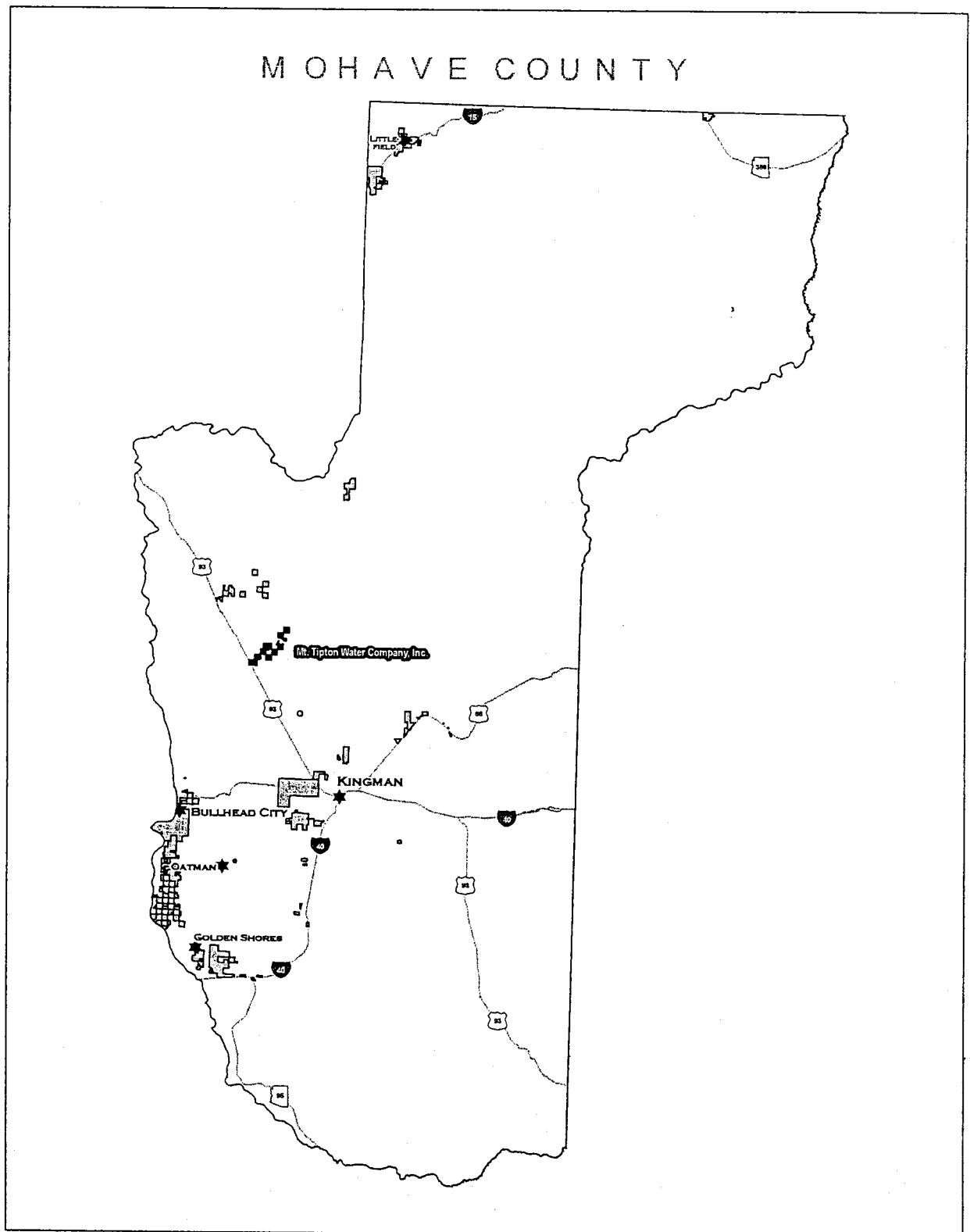


FIGURE 3A

MOUNT TIPTON WATER COMPANY SYSTEMATIC DIAGRAM

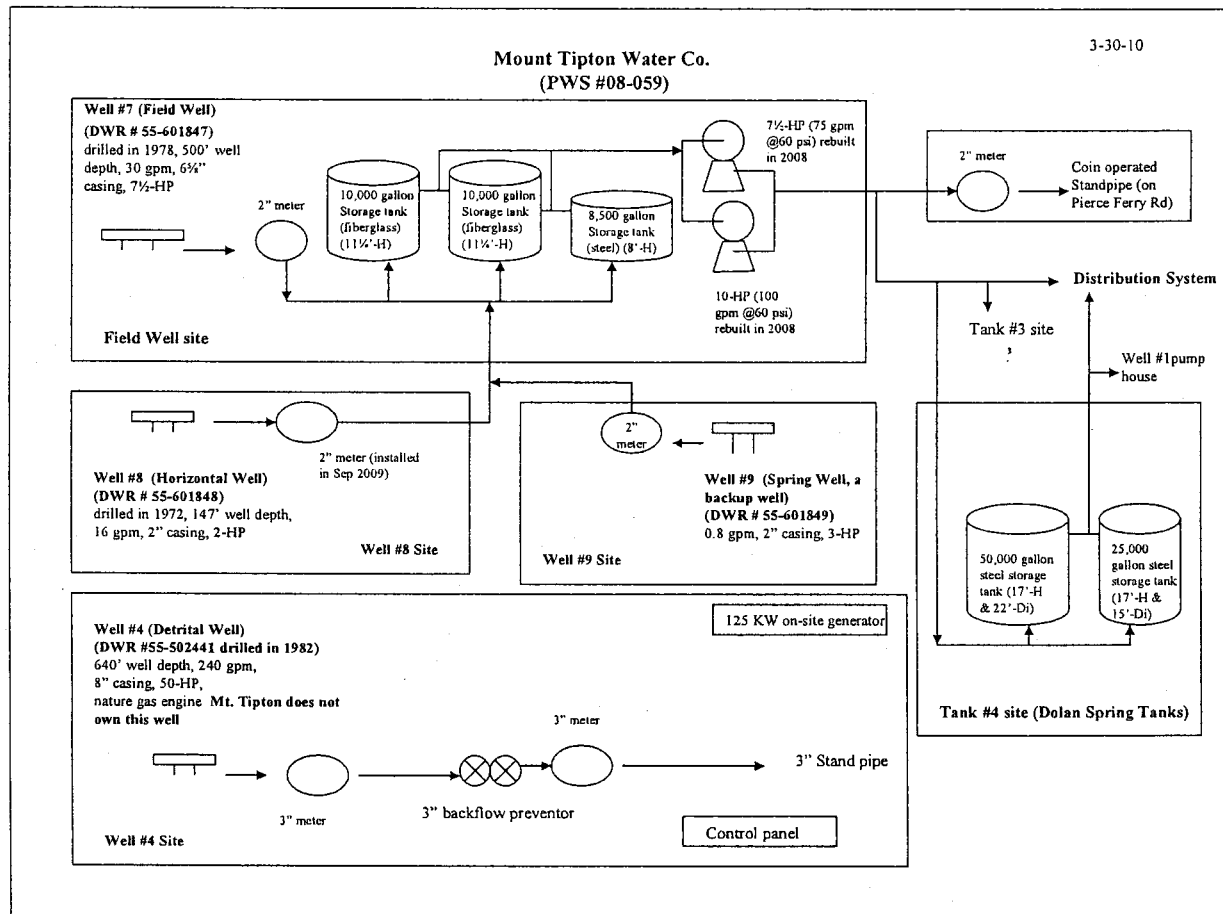


FIGURE 3B

MOUNT TIPTON WATER COMPANY SYSTEMATIC DIAGRAM

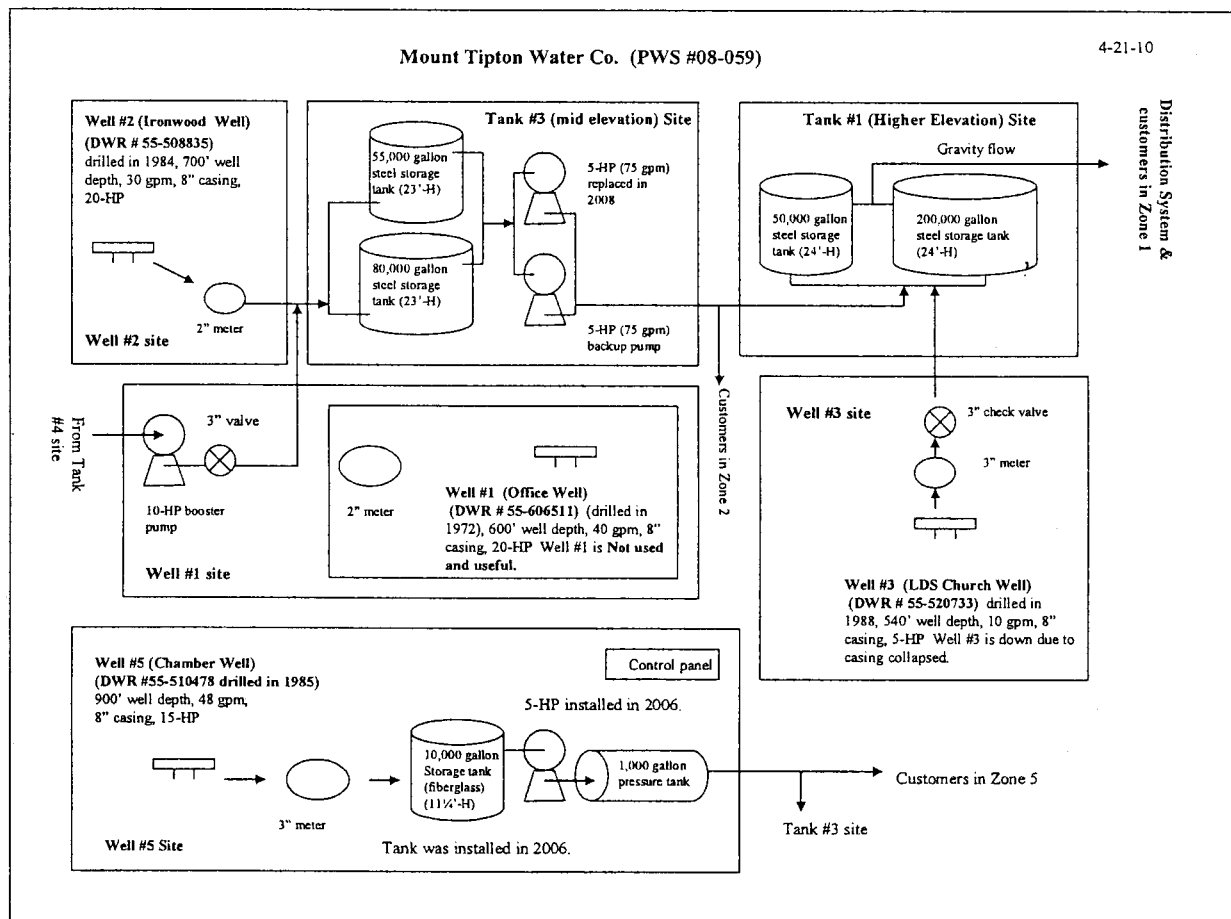


FIGURE 3C

MOUNT TIPTON WATER COMPANY SYSTEMATIC DIAGRAM

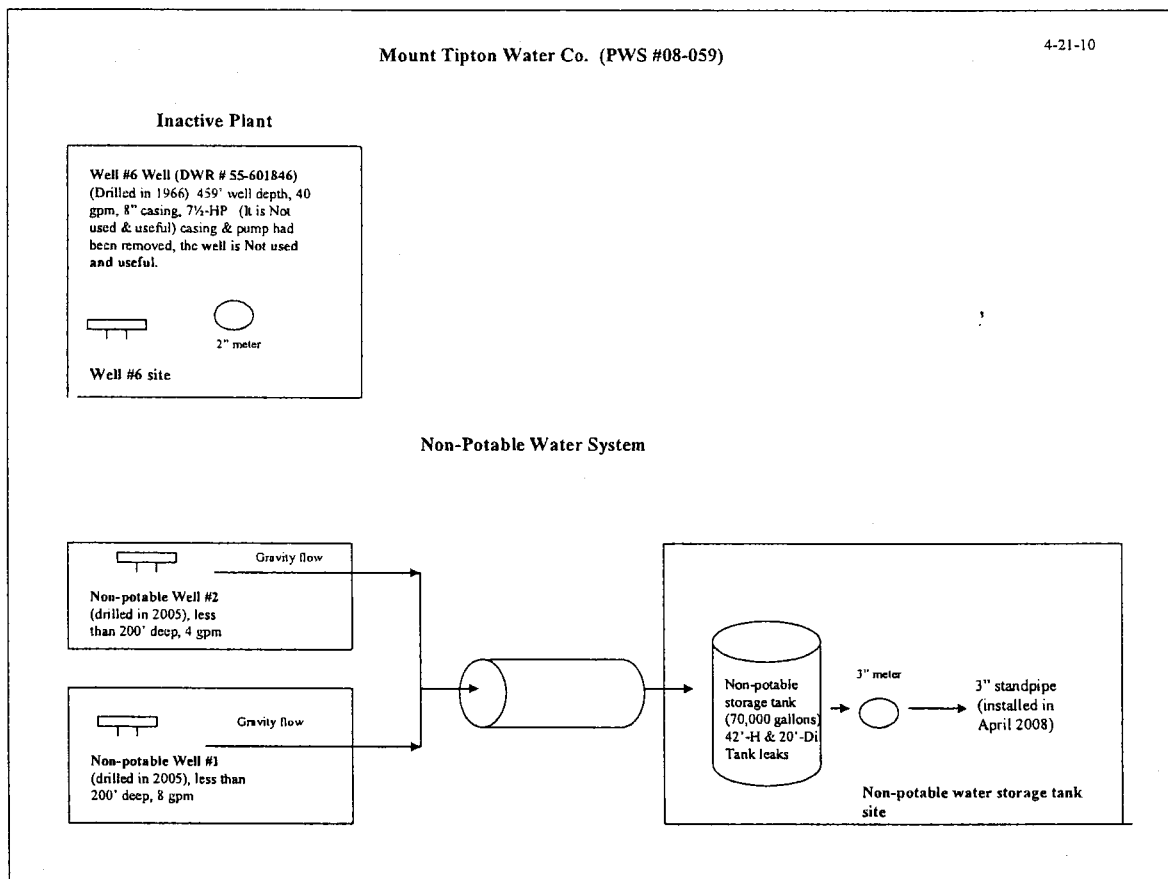


FIGURE 4

MOUNT TIPTON WATER COMPANY WATER USAGE

**During 2008-2009 Test Year Water Usage In Mount Tipton
Water Company, Inc. CC&N Area**

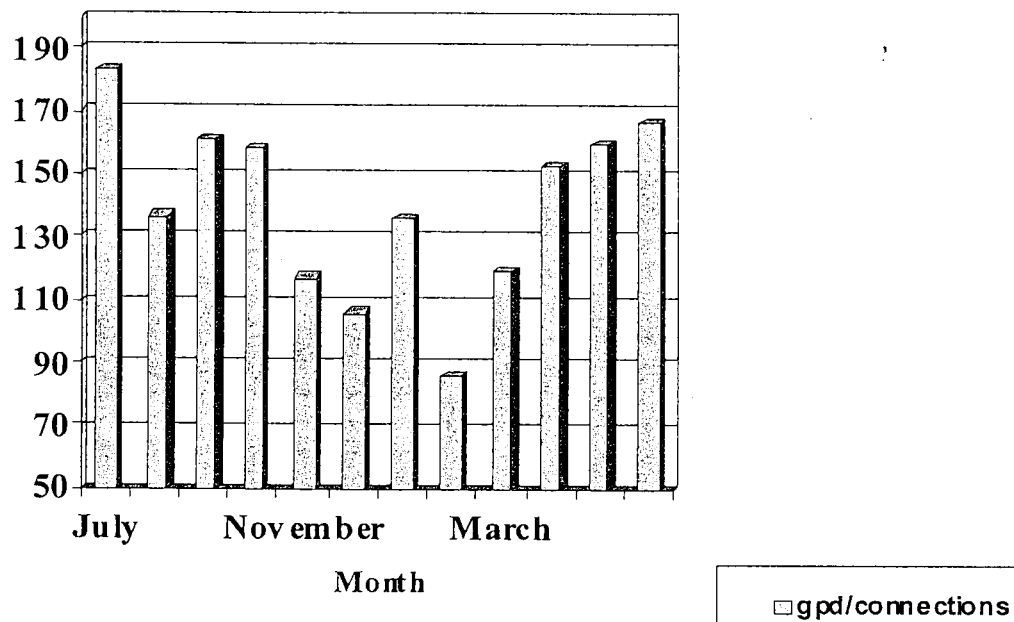


FIGURE 5

DEPRECIATION RATES FOR MOUNT TIPTON WATER COMPANY

NARUC Acct #	Depreciable Plant	Approved Rate (Decision # 67162)	Proposed Rate (%) ¹	Staff Recommended Rate (%)
301	Organization	N/A	N/A	0
302	Franchises	N/A	N/A	0
303	Land & Land Rights	N/A	N/A	0
304	Structures & Improvements	3.33	3.33	3.33
305	Collection & Impounding reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equip Other	5.00	N/A	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment			
320.1	Water Treatment Plants	3.33	3.33	3.33
320.2	Solution Chemical Feeders	20.0	20	20.0
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tank	2.22	2.22	2.22
330.2	Pressure Tank	5.00	5.00	5.00
331	Transmission and Distribution Mains	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	N/A	6.67
339	Other Plant & Misc Equipment	6.67	6.67	6.67
340	Office Furniture & Equipments	6.67	6.67	6.67
340.1	Computer Software	20.00	20.00	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Store Equipments	4.00	N/A	4.00
343	Tools, Shop & Garage Equipments	5.00	5.00	5.00
344	Lab equipments	10.00	N/A	10.00
345	Power operated equipments	5.00	5.00	5.00
346	Communication Equipments	10.00	N/A	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	-----	5.00	10.00 ²


Note: 1. Per the Company's Response to DR #DH-3.1.
2. Per the Company's Response to DR #DH-5.1, the plants included in this account were old Dolan Spring Water plant items. Because those plants are miscellaneous equipments, Staff recommends the same depreciation rate as Account No. 347 (for miscellaneous equipment).

FIGURE 6

ACC Compliance Report

MEMORANDUM

TO: Dorothy Hains
Engineering

FROM:  Carmel Hood
Compliance

DATE: May 20, 2010

RE: Mount Tipton Water Company, Inc.

The Compliance Database indicates that Mount Tipton is out of Compliance due to the following items:

- Company shall analyze its water supply storage, create a plan proposing what it believes to be the most effective solution for improving its water supply and explaining its rationale, and file the plan in its permanent ratemaking docket by November 2, 2009. (Decision No. 70837)
- Company shall file the following in its permanent ratemaking docket by November 2, 2009: (1) a consolidated Hook-Up Fee report that shows for each Hook-Up Fee charged during calendar year 2008 (a) the date on which the Hook-Up Fee was charged, (b) the name of the customer charged the Hook-Up Fee, (c) the service address for which the Hook-Up Fee was charged, (d) the meter size for the service address, and (e) the amount of the Hook-Up Fee charged; and (2) a consolidated Hook-Up Fee expenditures report that includes for each expenditure of Hook-Up Fee funds during calendar year 2008 (a) the date on which the expenditures was made; (b) the amount of the expenditures; © a description of what was purchased or paid for; and (d) a copy of the invoice, statement, or receipt for the item purchased or paid for. (Decision No. 70837)
- Company is required to reduce its water loss to less than 10 percent by February 10, 2006. (Decision No. 67162)

LEGAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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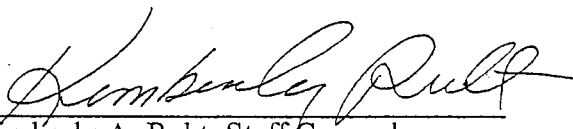
IN THE MATTER OF THE APPLICATION OF
MOUNT TIPTION WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES.

DOCKET NO. W-02105A-09-0522

STAFF'S NOTICE OF FILING DIRECT
TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony
of Alexander Ibhade Igwe and Dorothy Hains of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 2nd day of July 2010.

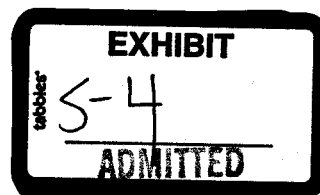

Kimberly A. Ruht, Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
2nd day of July, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

...

...



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
MOUNT TIPTON WATER COMPANY)
FOR AN INCREASE IN ITS WATER RATES)
_____)

DOCKET NO. W-02105A-09-0522

SURREBUTTAL TESTIMONY

OF

DOROTHY HAINS

UTILITIES ENGINEER

UTILITIES DIVISION

JULY 2, 2010

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. WATER LOSS.....	1
III. COMPLIANCE WITH DECISION NO. 70837.....	3

ATTACHMENT

Compliance Memorandum.....	A
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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. Are you the same Dorothy Hains who has previously filed testimony in this Mount
7 Tipton Water Company ("Mt. Tipton" or "Company") rate proceeding?**

8 A. Yes.

9
10 **Q. What is the purpose of your Surrebuttal Testimony?**

11 A. The purpose of my testimony is to address the Company's response to Staff's
12 recommendations regarding water loss. More specifically, Staff's recommendation that
13 any rate increase resulting from this proceeding should not become effective until the
14 Company can adequately demonstrate that its water loss is less than 10% and is in full
15 compliance with Decision Nos. 67162 and 70837. The Company argues that Staff's
16 recommendation would leave the Company in a detrimental financial situation, where it
17 would be unable to pay its bills and meet its debt service obligations. My Surrebuttal
18 Testimony responds to the Company's claim that it has reduced its water loss to less than
19 10%. My Surrebuttal Testimony also provides Staff's response to the Company's claim
20 that it has filed the compliance documents required per Decision No. 70837.

21
22 **II. WATER LOSS**

23 **Q. Did you review the data for gallons of water sold and gallons of water pumped in
24 Exhibit 1 attached to Ms. Monzillo's Rebuttal Testimony which the Company filed in
25 support of its claim that it has reduced its water loss to below 10%?**

26 A. Yes, I did.

1 **Q. Do you agree with the Company that the water use data contained in Exhibit 1**
2 **sufficiently demonstrates that the Company's water loss is below 10%? Please**
3 **explain your answer.**

4 A. No. Before I explain, I will provide some background information. In Decision No.
5 67162 (issued on August 10, 2004), the Commission ordered the Company to reduce its
6 water loss to less than 10 percent within 18 months of the effective date of the Decision.
7 In my Direct Testimony in this case I present the calculated water loss for the years 2003
8 through 2009 which varied significantly and called into question the validity of the water
9 use data reported by the Company. The Company admitted that the water use data in its
10 2009 Annual Report was "... incorrect due to programming errors". Unfortunately, Staff
11 must rely on the water use data reported by the Company for its calculations. Using the
12 data provided by the Company in its 2009 Annual Report, the Company had a calculated
13 water loss of 23% during the test year, ending June 30, 2009. Therefore, Staff concluded
14 that the Company had failed to comply with the water loss reduction requirement
15 contained in Decision No. 67162.

16
17 Exhibit 1 of Michelle Monzillo's Rebuttal Testimony presents water use data for January
18 through May 2010. The Company bases its claim that it has reduced water loss to below
19 10% solely on the water use data for the first quarter of 2010, which is only three months
20 worth of data. But, if you calculate the water loss using the full five months of data
21 reported for 2010 in Exhibit 1, the water loss exceeds the 10% threshold.¹ Additionally,
22 looking at the monthly water loss individually, it varied significantly, from a high of 33%
23 to a low of negative 8.2% during the first quarter of 2010; which once again calls into
24 question the validity of the data the Company is reporting. Staff appreciates the fact that
25 line breaks occur which can cause the water loss for a given month to spike above its

¹ Using data since the end of the test year (July 2009 to May 2010) Staff calculated a water loss of 19.4%.

1 recommended threshold of 10% and that is one of the main reasons why Staff believes that
2 in fairness to the Company its water loss calculation should be based on the average of a
3 twelve month period.

4
5 In conclusion, the Company is responsible for coordinating its meter readings so that an
6 accurate accounting of water loss can be determined. Staff disagrees with the Company
7 that it is reasonable to conclude that the water use data contained in Exhibit 1
8 demonstrates that the Company's water loss is less than 10% and that the Company has
9 complied with the water loss reduction requirement contained in Decision No. 67162.

10
11 **III. COMPLIANCE WITH DECISION NO. 70837**

12 **Q. Has the Utilities Division Compliance Section changed its position yet?**


13 A. No. Two delinquent compliance items for the Company as indicated in Staff
14 Direct Testimony still exist. (See attached Attachment A Compliance Section
15 memorandum dated June 28, 2010 for details.)

16
17 **Q. Does this conclude your Surrebuttal Testimony?**

18 A. Yes, it does.
19

M E M O R A N D U M

TO: Dorothy Hains
Utilities Engineer
Utilities Division

FROM: Brian K. Bozzo 
Compliance and Enforcement Manager
Utilities Division

DATE: June 28, 2010

RE: MOUNT TIPTON WATER COMPANY – DOCKET NO. W-02105A-09-0522

This is in regard to your request for a memo discussing the remaining compliance items which were outlined in Mt. Tipton's written testimony in the above pending case.

On page 3 (line 5 and line 14) of its testimony, the Company highlights that it has provided compliance filings on the Water Supply Shortage report and on the Hook-Up fee report. While the Company has filed the reports with the Commission, Engineering Staff has indicated the following about the content of the reports:

Water Supply Shortage - The document filed does not provide the required plan and does not include information on how to resolve the water supply shortage issue or the inadequate storage capacity.

Hook-Up Fee - The Company mis-spent \$250 of HUF funds on an Operations & Maintenance expenditure rather than on source development or well improvement. Although a small amount, this represents a violation of the proper usage for Hook-Up Fee funds.

In summary, although the filings have been received, the items are not technically in compliance. The Company has been informed of the need for additional action on both reports for them to be fully compliant.

Compliance and Engineering Staff have arranged to conduct a phone conference with Mt. Tipton to assist the Company in meeting these requirements.